

1 **Q. [ELG] – Please state whether the Company’s reliance on the ELG calculation**
2 **procedure for depreciation purposes is mandatory or optional. To the extent**
3 **optional, please provide all support and justification for selecting the ELG**
4 **calculation procedure.**

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6 A. In Order No. P.U. 47 (1982), the Board ordered the use of the unit summation (ELG)
7 procedure to calculate rates of depreciation for all of Newfoundland Power’s plant in
8 service.
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10 In 1967, following the amalgamation of 5 utilities to form what is now Newfoundland
11 Power, the initial accumulated depreciation and annual rates of depreciation for the new
12 company were those approved by the Board for the former Newfoundland Light & Power
13 Co. Limited.¹ In 1977, the Company presented a complete depreciation study for the
14 amalgamated companies that involved establishing accumulated depreciation and
15 depreciation rates based on the average life procedure for plant in service as of December
16 31, 1977, and based on the unit summation procedure for property added on or after
17 January 1, 1978. In Order No. P.U. 34 (1977), the Board approved the depreciation study
18 presented by the Company, including the use of both average life procedure and unit
19 summation procedure, respectively.
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21 In 1978, the question of average life and unit summation based rates of depreciation was
22 considered again by the Board and, in Order No. P.U. 20 (1978), the use of both average
23 life procedure and unit summation procedure was ordered. Rates of depreciation
24 approved in Order No. P.U. 20 (1978) were continued by the Board in Order No. P.U. 21
25 (1980).
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27 A new depreciation study was presented to the Board in 1981. In Order No. P.U. 37
28 (1981), the Board ordered that at its next hearing the Company would be required to
29 justify the use of normalized income tax accounting in conjunction with the unit
30 summation procedure. At the next hearing, in 1982, the Company addressed the matter
31 in its evidence and, in Order No. P.U. 47 (1982), unit summation based rates of
32 depreciation were approved for all plant in service effective January 1, 1983.

¹ The 5 utilities that were amalgamated were Newfoundland Light & Power Co. Limited, Union Electric Light & Power Company, United Towns Electric Company Limited, Public Service Electric Company Limited and West Coast Power Company Limited.