

1 **Q. [Reserve] – Regarding the statement on page I-5 of the Gannett Fleming study that**
2 **the amortization of the reserve is the industry’s most common method of adjusting**
3 **depreciation, please state whether that particular statement corresponds to the**
4 **amortization of all reserves over the remaining life of the asset not just the amount**
5 **associated with the 5% threshold employed by Gannett Fleming in calculating its**
6 **depreciation reserve amortization. To the extent the response is the proposed**
7 **approach is the industry standard, provide all support and justification for such**
8 **position.**
9

10 A. The statement referenced on page I-5 of the Depreciation Study refers to the use of the
11 remaining life as opposed to a different amortization period.
12

13 The 5% threshold is less common in the industry, but has been the practice approved by
14 the Board for Newfoundland Power since 1996. Prior to 1996, the reserve variance was
15 always determined and presented in the depreciation studies by the company’s previous
16 depreciation consultants, Montreal Engineering Company, Limited (MONECO).
17 However, no adjustments to depreciation were made if the difference between the book
18 and theoretical reserve at the *total company level* was less than 5 percent of the
19 theoretical reserve.