

1 **Q. [ELG] – Regarding the statement at the top of page 11 of Mr. Wiedmayer’s**
2 **testimony that the acceptance of the ELG procedure for Newfoundland Power**
3 **“provides a benefit to customers in lower electric rates,” and that a switch to an**
4 **ALG calculation procedure would provide a short-term reduction in rates, but**
5 **would be short-lived and customers would pay higher rates going forward once the**
6 **short-term effect is exhausted, please state whether customers, since 1978, have paid**
7 **higher depreciation expense due to ELG in order to have the current lower revenue**
8 **requirements due to a lower rate base and by how much. Further, to the extent that**
9 **response in any manner claims that prior customers have not paid higher levels of**
10 **depreciation expense, provide all support for such claim.**

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12 **A.** As the Board stated in Order No. P.U. 34 (1977), ELG depreciates “the cost of both
13 short-life and longer-life units during their respective service lives.” Due to appropriately
14 matching depreciation expense to the respective service lives, ELG depreciation rates for
15 a group of property are normally higher than ALG depreciation rates, all else being equal.

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17 The precise quantification of the difference in depreciation expense for ELG and ALG
18 for the years 1978 through 2010 would be a very time consuming calculation, and it was
19 not performed due to the time constraints associated with the schedule for this
20 proceeding. However, Mr. Wiedmayer agrees that depreciation expense for
21 Newfoundland Power has historically been higher since 1978 under ELG depreciation
22 than had ALG depreciation rates been used.

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24 Customers pay the full revenue requirement, of which depreciation expense is just one
25 component. As indicated in the Company Rebuttal Evidence and Expert Rebuttal
26 Evidence, the use of the ELG procedure to calculate depreciation rates as approved by the
27 Board has resulted in a lower revenue requirement in this proceeding, and thus lower
28 customer rates, than had ALG depreciation rates continued to be used by Newfoundland
29 Power.