

1 **Q. Is the 2006 depreciation study “accumulated depreciation reserve variance of**
2 **\$694,920” mentioned in footnote 9 a positive or negative variance and will it**
3 **therefore result in (i) an increase or decrease in NP’s depreciation expense and (ii)**
4 **an increase or offset to the accumulated depreciation true-up deferral account?**
5

6 A. The accumulated depreciation reserve variance of \$694,920 is the amount that the book
7 accumulated depreciation exceeds the calculated accrued depreciation, as determined by
8 engineering observation as at December 31, 2005. It is calculated in the same manner as
9 previous depreciation studies filed by Newfoundland Power over the past 10 years.
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11 The variance, in effect, will serve to reduce future revenue requirements of
12 Newfoundland Power. The actual treatment of the accumulated depreciation reserve
13 variance is expected to be determined by the Board at the Company’s next general rate
14 proceeding.