

1 **Q. (Reference CA-NP-005, Attachment A)**

2 **The data indicate that depreciation cost has increased dramatically from 1994**  
3 **to 2026F, rising from approximately 55% of operating expenses in 1994 to**  
4 **exceeding it now. Please explain to what extent this increase in depreciation**  
5 **cost is due to cumulative capital expenditure.**

6  
7 A. The increase in depreciation expense from 1994 to 2026 forecast reflects Newfoundland  
8 Power's continued investment in the electricity system. Newfoundland Power invests in  
9 long-life assets that depreciate over time. Generally, as the Company's investment in  
10 property, plant and equipment increases, depreciation expense will also increase.

11  
12 Newfoundland Power's forecast depreciation expense reflects the methodology and  
13 depreciation rates established through the *2019 Depreciation Study* completed by  
14 Gannett Fleming Valuation and Rate Consultants, LLC, based on plant in service as at  
15 December 31, 2019.<sup>1</sup> The *2019 Depreciation Study* was approved by the Board in Order  
16 No. P.U. 3 (2022).

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<sup>1</sup> See the Company's *2022/2023 General Rate Application, Volume 3, Expert Evidence, Tab 1, Depreciation Study: Gannett Fleming Valuation and Rate Consultants, LLC.*