

*Requests for Information*

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1 **Q. Would maintaining its long-standing practice of using beginning-of-the-year**  
2 **depreciation impose undue or higher accounting costs on Newfoundland Power?**  
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4 A. Newfoundland Power's continued use of the full-year depreciation convention would not  
5 impose undue or higher accounting costs on the Company.  
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7 As noted on Page 33 of Grant Thornton's 2001 Annual Financial Review of  
8 Newfoundland Power Inc., "This change resulted in a decrease in depreciation expense of  
9 approximately \$864,000, which is a benefit to the consumer." For the 2003 test year,  
10 application of the mid-year convention results in a reduction in the Company's revenue  
11 requirement of approximately \$675,000, which again represents a benefit to the  
12 consumer.  
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14 Gannett Fleming is not aware of any utility that does not use the mid-year or half-year  
15 convention (or a similar derivation thereof) for purposes of calculating book depreciation.  
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17 Gannett Fleming recommends that Newfoundland Power switch to the mid-year  
18 convention for purposes of calculating book depreciation since this accounting practice is  
19 more representative of the assumption that all plant added (or retired) during the calendar  
20 year was installed (or removed), on average, on July 1. Gannett Fleming's  
21 recommendation is also based on the fact that the mid-year convention is consistent with  
22 accounting practice used by other electric utilities.  
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24 Please refer to the Company's response to Request for Information CA-582 for additional  
25 information and references with respect to the mid-year convention.