

IGUA INTERROGATORY #1

INTERROGATORY

Reference: Ex. B, Tab 2, Sch. 3, p. 3 of 3.

Preamble: EGD notes an increase in depreciation expense of \$3.8M due primarily to the cumulative impact of capital variances from prior years (2012 to 2015) which were not reflected in the 2016 depreciable balances approved by the Board for rate setting as part of the customized incentive rate proceeding.

Questions:

- (a) Please provide details about the prior years' capital variances that led to this increase in depreciation expense.
- (b) What else has contributed to the increase in depreciation expense?

RESPONSE

- a) The 2016 variance in depreciation expense has resulted from the cumulative combined impact of many capital variances that have occurred over the 2012 through 2016 time period, some of which were outlined in previous proceedings. Actual versus forecast variances which result in higher or lower depreciation expense include:
 - The level of capital additions placed into service in a year(s),
 - The timing of when capital additions are placed into service in a year(s),
 - The mix of capital additions placed into service in a year(s),
 - The level, mix, and timing of retirements that occur in a year(s).
- b) Same as above.

Witnesses: S. Fallis
S. Riccio
R. Small