

1 Q. Further to response to Request for Information NP-NLH-055:

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3 Depreciation associated with Hydro's Rural systems is forecast to increase from
4 \$14.2 million in 2016 to \$21.7 million in 2019T. Please provide full details of this
5 \$7.5 million increase, together with a full explanation of the factors (by Rural
6 system) that contribute to the increase.

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9 A. The provision of the additional depreciation by each rural system is unduly onerous
10 and not required to determine the reasonableness of the proposed test year costs.

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12 The increase in depreciation expense between 2016 and the 2019 Test Year is
13 primarily due to: (i) increased asset investment on the Island Interconnected
14 System (\$638 million additional investment over the period 2017 to 2019) resulting
15 in an increase of \$4.2 million in depreciation expense allocated to Hydro's Rural
16 Systems; and (ii) increased asset investment on Hydro's Rural Isolated systems (\$62
17 million additional investment over the period 2017 to 2019), resulting in an increase
18 of \$3.3 million in depreciation expense.

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20 Depreciation costs allocated to the Rural Island Interconnected System are based
21 on investments made on the Island Interconnected System as a whole, the largest
22 of which is the construction of TL 267. Please refer to Hydro's response to CA-NLH-
23 089, which shows the derivation of costs associated with TL 267 as well as the
24 portion allocated to rural customers.

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26 Hydro's investments in its rural isolated systems are \$20 million, \$19 million, and
27 \$23 million for 2017, 2018, and 2019, respectively. Among the larger projects were:

1 **2017**

- 2 • \$4.7 million for generation additions for load growth in L'Anse au Loup and
3 Postville;
- 4 • \$2.1 million to overhaul diesel engines; and
- 5 • \$1.4 million to install fire protection in diesel plants.

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7 **2018**

- 8 • \$5.1 million for diesel genset replacements - Port Hope Simpson and
9 Charlottetown;
- 10 • \$2.8 million to overhaul diesel engines;
- 11 • \$1.0 million to replace automation equipment - Mary's Harbour; and
- 12 • \$1.7 million to replace secondary containment system liner – Nain.

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14 **2019**

- 15 • \$4.7 million for diesel genset replacements – Makkovik;
- 16 • \$2.3 million for overhaul diesel engines;
- 17 • \$1.0 million to replace Unit 2052 – Cartwright;
- 18 • \$1.5 million to replace secondary containment system liner – Nain (2nd year
19 of project); and
- 20 • \$1.0 million to increase fuel storage – Makkovik.