

1 Q. **Reference: Supply Cost Accounting Application, Evidence page 26 (p. 41 pdf)**

2 Citation:

3 As previously introduced, the planned end of generation at the Holyrood TGS as
4 of March 31, 2023 is projected to contribute to a material increase in
5 depreciation expense in 2022.

- 6 a. Is any salvage value attributed to the generating equipment at Holyrood that is being
7 decommissioned before the end of its useful life? If not, why not?
- 8 b. Please confirm that, under the proposal, the lost value resulting from the premature
9 decommissioning of Units 1 and 2 of the Holyrood generating station will be borne by Island
10 consumers, in the form of accelerated depreciation.
- 11 c. Please provide the justification for this treatment.

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14 A. a. Salvage value attributed to the generating equipment at Holyrood that is being
15 decommissioned before the end of its useful life is expected to be negligible for these
16 assets.

17 b. The decommissioning of Holyrood Units 1 and 2 is not considered premature, but rather the
18 life of the units has been extended through additional investment to support the reliable
19 integration of the Muskrat Falls Project assets. Disposition and recovery of proposed
20 deferred depreciation costs will be subject to a future application to the Board of
21 Commissioners of Public Utilities (“Board”).

22 Currently, depreciation expense associated with the Holyrood Thermal Generating Station
23 (“Holyrood TGS”) is recovered directly from customers on the Island Interconnected System.
24 However, Holyrood TGS costs are allocated to Hydro Rural customers on the Island
25 Interconnected System and impact the rural deficit, of which a portion is allocated for
26 recovery from customers on the Labrador Interconnected System.

- 1 c. Newfoundland and Labrador Hydro is applying the Board approved depreciation
- 2 methodology in computing its projected depreciation expense for 2022.