

November 30, 2023

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Application for Amendments to the Holyrood TGS¹ Accelerated Depreciation Deferral Account

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") application for amendments to the Holyrood TGS Accelerated Depreciation Deferral Account.

The Holyrood TGS Accelerated Depreciation Deferral Account was approved in 2022² for 2022 and 2023 costs. As noted in the "Reliability and Resource Adequacy Study – 2022 Update,"³ Hydro expects continued operation of the Holyrood TGS until its capacity can be adequately replaced to ensure reliable operation for customers. Therefore, capital expenditures for this facility to operate as a generator continue to be required. Capital additions not required for post-steam operation will continue to be depreciated on an accelerated basis, as the facility's end-of-generation life is less than the estimated useful life of the assets placed in service.

Hydro is seeking to amend the Holyrood TGS Accelerated Depreciation Deferral Account definition to continue to defer the difference between the actual accelerated depreciation at the Holyrood TGS and the approved test year costs until the end of steam generation.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/sk.nk

Encl.

¹ Holyrood Thermal Generating Station ("Holyrood TGS").

² *Public Utilities Act*, RSNL 1990, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

³ "Reliability and Resource Adequacy Study – 2022 Update," Newfoundland and Labrador Hydro, October 3, 2022.

ecc:

Board of Commissioners of Public Utilities

Jacqui H. Glynn
Cheryl Blundon
Maureen Greene, KC
PUB Official Email

Island Industrial Customer Group

Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Iron Ore Company of Canada

Gregory A.C. Moores, Stewart McKelvey

Labrador Interconnected Group

Senwung F. Luk, Olthuis Kleer Townshend LLP
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Consumer Advocate

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Bernice Bailey, Browne Fitzgerald Morgan & Avis

Teck Resources Limited

Shawn Kinsella

Linde Canada Inc.

Sheryl E. Nisenbaum
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Newfoundland Power Inc.

Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Amendments to the Holyrood TGS Accelerated Depreciation Deferral Account

November 30, 2023

An application to the Board of Commissioners of Public Utilities



IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1 (“*EPCA*”) and the *Public Utilities Act*, RSNL 1990, c P-47 (“*Act*”), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“*Hydro*”), pursuant to Sections 58 and 80 of the *Act*, for amendments to the Holyrood TGS Accelerated Depreciation Deferral Account

TO: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2007*,¹ is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.
2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations that relate to that service.
3. On July 29, 2021, Hydro filed its Supply Cost Accounting Application, requesting as part of that application, the approval of a Holyrood TGS Accelerated Depreciation Deferral Account to become effective January 1, 2022.²
4. The Board issued its decisions and directions in Board Order No. P.U. 33(2021).³ In that Order, the Board approved the establishment of the Holyrood TGS Accelerated Depreciation Deferral Account and directed Hydro to file a subsequent application for approval including “. . . a revised definition to defer variances in excess of \$2.5 million for 2022 and also 2023 if it is not a test year,”⁴ reflecting the findings and determinations of the Board.

¹ *Hydro Corporation Act, 2007*, SNL 2007 c H-17.

² “Supply Cost Accounting Application,” Newfoundland and Labrador Hydro, July 29, 2021.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 33(2021), Board of Commissioners of Public Utilities, December 8, 2021.

⁴ *Ibid.*, p. 10/2–3.

5. In its Supply Cost Accounting Compliance Application submitted on January 21, 2022, Hydro attached, as an exhibit, the requested revised definition.⁵ In Board Order No. P.U. 4(2022), the Board approved the Holyrood TGS Accelerated Depreciation Deferral Account, as was set out in Schedule E of the Order.⁶

B. Extension of Holyrood Assets

6. In its “Reliability and Resource Adequacy Study – 2022 Update” (“2022 Update”),⁷ Hydro stated, “The units at the Holyrood TGS . . . shall remain available until 2030, or until such time that sufficient alternative generation is commissioned, adequate performance of the LIL^[8] is proven, and generation reserves are met.”⁹
7. As noted in the 2022 Update, Hydro expects continued operation of the Holyrood TGS until its capacity can adequately be replaced to ensure reliable operation for customers. Therefore, capital expenditures for this facility to operate as a generator continue to be required. Capital additions not required for post-steam operation will continue to be depreciated on an accelerated basis, as the facility’s end-of-generation life is less than the estimated useful life of the assets placed in service. Depreciation is required to be calculated on an accelerated basis to match the remaining service life of the facility (i.e., monthly depreciation = capital investment ÷ remaining months of service life).
8. The Holyrood TGS Accelerated Depreciation Deferral Account is currently established for 2022 and 2023 costs. The balance in the account as of September 30, 2023 is approximately \$7 million owing to customers. In the absence of an extension, Hydro is projecting an increase in earnings in 2024 as a result of the expiration of the Holyrood TGS Accelerated Depreciation Deferral Account and the extension of the projected end-of-steam generation date.
9. Hydro is proposing the extension of the Holyrood TGS Accelerated Depreciation Deferral Account to continue to defer the difference between the actual accelerated depreciation at the Holyrood TGS and the approved test year costs until end-of-steam generation. The approval of

⁵ “Supply Cost Compliance Application,” Newfoundland and Labrador Hydro, January 21, 2022, exh. 6.

⁶ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022, sch. E.

⁷ “Reliability and Resource Adequacy Study – 2022 Update,” Newfoundland and Labrador Hydro, October 3, 2022.

⁸ Labrador-Island Link (“LIL”).

⁹ “Reliability and Resource Study – 2022 Update,” Newfoundland and Labrador Hydro, October 3, 2022.

the extension is expected to result in a budgeted increase of the deferral during the 2024 period of approximately \$2 million owing to customers.

10. Hydro proposes to extend the Holyrood TGS Accelerated Depreciation Deferral Account to the end-of-steam generation, as the deferral account will be necessary until that time to allow Hydro to manage potentially large variations in accelerated depreciation. Large variations in depreciation can occur due to the requirement of capital additions completed shortly prior to the end-of-steam date and/or if the end-of-steam date changes.
11. Hydro has also proposed the removal of the statement providing for no transfer to the deferral account for cost differences in the applicable test year. As Hydro proposes to extend the deferral account for a period that may include multiple test years, Hydro is proposing to record all variances relative to the approved test year. Schedule 1 to this application provides the updated definition for the Holyrood TGS Accelerated Depreciation Deferral Account.

C. Order Requested

12. Hydro requests that the revised Holyrood TGS Accelerated Depreciation Deferral Account definition, as provided in Schedule 1 to this application, be approved effective January 1, 2024.

D. Communications

13. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the Province of Newfoundland and Labrador this 30th day of November 2023.

NEWFOUNDLAND AND LABRADOR HYDRO



Shirley A. Walsh
 Counsel for the Applicant
 Newfoundland and Labrador Hydro,
 500 Columbus Drive, P.O. Box 12400
 St. John's, NL A1B 4K7
 Telephone: (709) 685-4973

Schedule 1

Proposed Amended Holyrood TGS Accelerated Depreciation Deferral
Account Definition



**Newfoundland and Labrador Hydro
Holyrood TGS Accelerated Depreciation Deferral Account Definition**

Newfoundland and Labrador Hydro's ("Hydro") Holyrood Thermal Generation Station ("Holyrood TGS") Accelerated Depreciation Deferral Account was established, commencing in 2022, to defer, for future disposition, any difference in excess of ± 2.5 million between (i) the accelerated depreciation expense for the Holyrood TGS in a year and (ii) the accelerated depreciation expense for the Holyrood TGS included in the approved test year until otherwise ordered by the Board of Commissioners of Public Utilities ("Board").

The disposition of the balance in this account will be subject to a further Order of the Board.

Affidavit



IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, c P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("*Hydro*"), pursuant to Sections 58 and 80 of the *Act*, for amendments to the Holyrood TGS Accelerated Depreciation Deferral Account

AFFIDAVIT

I, Dana Pope, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am Vice President, Regulatory Affairs and Shareholders, Newfoundland and Labrador Hydro, the applicant named in the attached application.
- 2) I have read and understand the foregoing application.
- 3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the)
province of Newfoundland and)
Labrador this 30th day of)
November, 2023 before me:)



Barrister, Newfoundland and Labrador



Dana Pope