

1 Q. **Reference: Reliability and Resource Adequacy Study – 2022 Update, Volume III: Long-Term**
2 **Resource Plan, October 3, 2022, page 26, Table 8, and Table 9.**

3 Hydro indicates that approximately \$1 billion in capital, operating, and fuel costs (\$140 million,
4 \$176 million, and \$697 million, respectively) will be required over the 2024-2030 period for the
5 continued operation of the Holyrood TGS. Please explain if and when Hydro plans to recover
6 these costs from customers.

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9 A. Newfoundland and Labrador Hydro (“Hydro”) plans to update the costs associated with the
10 extended operation of the Holyrood Thermal Generating Station (“Holyrood TGS”) to be
11 included in customer rates as part of the next general rate application (“GRA”). The costs
12 included in current rates are based on Hydro’s 2019 Test Year costs, which were approved in the
13 2017 GRA, and include approximately \$19.5 million for direct operating costs, \$194.7 million for
14 fuel, and \$16.9 million for depreciation.¹

15 Until the conclusion of the next GRA, variances related to fuel costs relative to the 2019 Test
16 Year will be deferred in the Supply Cost Variance Deferral Account. The disposition of the
17 balance in this account will be subject to a future order of the Board.

18 The Holyrood Thermal Generating Station Accelerated Depreciation Deferral Account was
19 approved by the Board of Commissioners of Public Utilities (“Board”) in Order No. P.U. 4(2022).²
20 This deferral account allows for the deferral for future recovery of any difference in excess of
21 +/- \$2.5 million between the accelerated depreciation expense for the Holyrood TGS in 2022
22 and 2023 (if 2023 is not a test year in a general rate application) and the accelerated
23 depreciation expense for the Holyrood TGS included in the approved 2019 Test Year. The
24 disposition of the balance in this account will be subject to a future order of the Board.

¹ “2017 General Rate Application,” Newfoundland and Labrador Hydro, rev. July 4, 2018 (originally filed July 28, 2017 was approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 30(2019), Board of Commissioners of Public Utilities, September 11, 2019.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022.

1 Hydro will assess if a modification will need to be proposed to the Holyrood Thermal Generating
2 Station Accelerated Depreciation Deferral Account definition given the additional capital cost
3 forecast for the continued operation of the facility will be subject to an accelerated depreciation
4 rate. In addition, the annual depreciation on the Holyrood TGS assets currently in service will be
5 reduced due to the extension of the end-of-service date.