

1 Q. **Reference: Schedule 5 2024 Capital Expenditures Overview, page B-52.**

2 Hydro states that Upgrades for Future Retirement of Stephenville Gas Turbine is a two-year  
3 project (2021-2022) that commenced in 2021 and has carried over into 2024. Hydro is expecting  
4 to finalize a decision in 2024 to cancel most of the remaining scope of this project, as the  
5 planned retirement of Stephenville Gas Turbine has been deferred beyond 2024.

6 a) Has Hydro finalized a decision to cancel most of the remaining scope of this project? If  
7 yes, describe the work completed to date, if not, what is being deferred beyond 2024?

8 b) What depreciable life does Hydro use for capital investments on these assets?

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11 A. a) Yes, Newfoundland and Labrador Hydro (“Hydro”) finalized the decision to cancel most of  
12 the remaining scope of this project. Hydro’s explanation provided in the 2025 Capital Budget  
13 Application, 2024 Capital Expenditures Overview is as follows:

14 This two-year project (2021–2022) commenced in 2021; it has carried over and  
15 will be closed in 2024. The project scope includes several upgrades to the  
16 Bottom Brook and Stephenville Terminal Stations to minimize the risk of  
17 customer outages due to a transformer or transmission line failure, following  
18 the decommissioning of Stephenville Gas Turbine. A portion of the project scope  
19 is complete and in service. In 2024, Hydro decided to cancel most of the  
20 remaining scope of this project as a result of the decision to keep Stephenville  
21 Gas Turbine available for the Bridging Period until 2030, or until such time that  
22 sufficient alternative generation is commissioned, adequate performance of the  
23 LIL is proven, and generation reserves are met. Hydro intends to submit a future  
24 capital budget proposal for a new project to complete the remaining upgrades,  
25 timed to coincide with the retirement of Stephenville Gas Turbine.<sup>1</sup>

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<sup>1</sup> “2025 Capital Budget Application,” Newfoundland and Labrador Hydro, July 16, 2024, sch. 5, s. 1.5.3, p. 11/7–16.

1 No scope of work has been completed at the Stephenville Terminal Station. Completed  
2 project scope at the Bottom Brook Terminal Station includes:

- 3 • Concrete pads and oil containment systems for two transformers;
- 4 • A new disconnect switch;
- 5 • Foundations and structures for 230 kV and 69 kV buses;
- 6 • A portion of the lighting upgrades; and
- 7 • A portion of the grounding system upgrades.

8 Transformer and transmission line protection upgrades are partially complete and these  
9 scopes are being transferred to the Replace Protective Relays Program, for completion as  
10 part of that program. These upgrades will provide immediate benefits by reducing customer  
11 impact from any unplanned outages. All other remaining scope is cancelled and will be  
12 completed as part of the future capital project. For new equipment purchased but not yet  
13 installed, Hydro is exploring opportunities to utilize that equipment on other projects, keep  
14 it as capital spares, or add it to inventory. All other expenditures incurred on this project will  
15 be treated financially as work in progress. If the expenditures are deemed used and useful  
16 with regard to the new project scope, the expenditures will be assigned to the new assets if  
17 and when the new project is approved, constructed and placed in service.

18 **b)** Hydro used a composite depreciation rate for terminal stations of 2.03% which would be  
19 approximately 49 years. Hydro primarily uses composite depreciation lives for budget  
20 purposes which are based upon the average unit of property (“UOP”) rates in the category.  
21 Once the assets are ready to go into service then the project will be componentized down  
22 by asset and the assets will be assigned depreciation rates by UOP.