

1 Q. **Reference: Application**

2 How did Hydro address the risk of an asset becoming stranded owing to new technology, new
3 environmental regulations such as net-zero emissions policies, distributed generation, rate
4 design, etc., or owing to a significant rate increase resulting from Muskrat Falls, the Resource
5 Adequacy Plan and Newfoundland Power's capital plans?

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8 A. Newfoundland and Labrador Hydro ("Hydro") considers the risk of asset stranding on a case-by-
9 case basis, as per the provisional Capital Budget Application Guidelines.¹ In general, Hydro will
10 review the life expectancy of the new/refurbished/upgraded asset compared to the life
11 expectancy of the site in which the work is to be completed. Should the site or asset be subject
12 to relocation or decommissioning, Hydro endeavours to pursue alternate execution strategies to
13 accomplish the required work. In the 2026 Capital Budget Application, this can be seen within
14 Hydro's proposed project Replace Fuel Storage Tank – McCallum, in which Hydro is proposing to
15 install horizontal fuel tanks which can be relocated and repurposed in the event they are no
16 longer required to serve McCallum.

¹ "Capital Budget Application Guidelines (Provisional)," Board of Commissioners of Public Utilities, January 2022.