Q. **Reference: Application, Holyrood Thermal Generating Station Overview, page 15**

Regarding depreciation.

a) Please provide the numerical calculation of the accelerated depreciation for 2024 based on the monthly deprecation formula in Section 6.1.

b) In the calculation of accelerated depreciation, is the remaining months of service life based on March 31, 2030, the date the Hydro has committed to having Holyrood fully available?

c) Since the Holyrood TGS could possibly have a service life less than the remainder of the bridging period, has Hydro considered fully expensing each year's capital expenditure in the year in which it is spent?

d) If the plant continues to generate electricity after March 31, 2030, how would depreciation be determined?

A. **a)** Please refer to Table 1 for a calculation of accelerated depreciation for the Holyrood Thermal Generating Station ("Holyrood TGS") for 2024.

Table 1: Calculation of Holyrood TGS Depreciation for 2024 ($000)[1]

	Undepreciated Value at Jan 1, 2024	Asset Additions	Remaining Service Life (Months)	Monthly Depreciation	# of Month of Depreciation (Months)	2024 Depreciation
Historic Assets, excluding retirements	48,809.3		75	650.8	12	7,809.5
Asset additions[2]						
January		322.2	75	4.3	12	51.6
February		30.5	74	0.4	11	4.5
March		44.4	73	0.6	10	6.1
April		752.2	72	10.4	9	94.0
May		14,630.3	71	206.1	8	1,648.5
June		468.3	70	6.7	7	46.8
July		122.0	69	1.8	6	10.6
September		3,215.3	67	48.0	4	192.0
October		1,653.6	66	25.1	3	75.2
November		3,399.2	65	52.3	2	104.6
December		9,111.5	64	142.4	1	142.4
Other items:						
Depreciation on Assets Retired in 2024	133.6					133.6
Total Holyrood TGS Depreciation						**10,319.3**

b) Holyrood TGS assets and any capital additions, not required for post-steam operation, are 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). The remaining months of service life is based on March 31, 2030, being the current assumption of end-of-generation date.

c) Newfoundland and Labrador Hydro monitors the expected useful life of its asset additions to determine the correct accounting treatment under IFRS.[3] Asset depreciation should reflect the

[1] Numbers may not add due to rounding.
[2] No asset additions in the month of August 2024.
[3] International Financial Reporting Standards ("IFRS").

pattern in which the asset's economic benefits are consumed by the company. Assets with a useful life of less than one year would not be capitalized and instead expensed in the year incurred as the economic benefits of that asset would be consumed in the year of purchase.

d) If the Holyrood TGS assets were required to continue generation beyond March 31, 2030, the accelerated depreciation calculation would need to be updated to reflect the new end-of-generation date. At the time an updated end-of-generation date is determined, any in-service assets previously being depreciated using the March 31, 2030 end date would now be depreciated monthly (remaining undepreciated net book value ÷ remaining months of service life) using the updated end-of-generation date. Any asset additions to be put in service after the updated end-of-generation date is determined would be depreciated monthly (capital investment ÷ remaining months of service life) using the updated end-of-generation date.