

1 Q. **Reference: Order No. P.U. 1(2024), page 2; Volume 3, pages 695-697**

2 Given that the \$2.5 million deadband on the Holyrood TGS Accelerated Depreciation Deferral  
3 Account was established, per the Board's own characterization, on the basis that it represented  
4 the average depreciation expense variance at the time, and Hydro's current filing forecasts a  
5 2028-2030 swing averaging approximately \$50 million per year — roughly 16 to 20 times the  
6 deadband threshold — explain why the existing fixed \$2.5 million deadband remains an  
7 appropriate materiality filter for the account going forward. Provide:

8 a) Hydro's position on whether the current deadband remains fit for purpose given the  
9 disclosed 2028-2030 forecast;

10 b) if Hydro proposes to retain the \$2.5 million figure, the specific justification for doing so  
11 notwithstanding the disclosed magnitude mismatch; and

12 c) if Hydro is open to re-calibration, at least one alternative deadband design (e.g., a  
13 percentage of forecast accelerated depreciation rather than a fixed dollar figure), with  
14 its resulting dollar threshold for each of 2028, 2029, and 2030.

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17 A. In Board of Commissioners of Public Utilities ("Board") Order No. P.U. 33(2021), the Board  
18 approved the establishment of the Holyrood Thermal Generating Station ("Holyrood TGS")  
19 Accelerated Depreciation Deferral Account with a revised definition to defer variances in excess  
20 of \$2.5 million.

21 In November 2023, Newfoundland and Labrador Hydro ("Hydro") filed an application for  
22 approval to extend the operation of the Holyrood TGS Accelerated Depreciation Deferral  
23 Account to continue to defer the difference between the actual accelerated depreciation  
24 expense for the Holyrood TGS and the approved test year costs until the end of steam  
25 generation. The Board approved Hydro's application in Order No. P.U. 1(2024). No changes to  
26 the \$2.5 million deadband were proposed or approved at that time.

1 One of the purposes of a deadband is to share the risk between the utility and customers. As  
2 outlined in Exhibit 11 of Hydro's 2026 General Rate Application ("GRA"), beginning in 2026 and  
3 continuing through the operating years 2028 through 2030, Hydro forecasts that the deferral  
4 account balance will shift to a negative variance, to the benefit of customers. These negative  
5 variances are expected to largely offset the positive variances recognized by Hydro to date.

6 As discussed in Chapter 5, Section 5.6.10 of the 2026 GRA, Hydro is not proposing the  
7 disposition of the balance in the account, or any changes to the Holyrood TGS Accelerated  
8 Depreciation Deferral Account definition, within the 2026 GRA for the reasons outlined in  
9 Exhibit 11.