

1 Q. **Reference: Volume 1, table 5-4, page 5.5 and page 5.6, Volume 2, Exhibit 7 and Volume 3,**
2 **Exhibit 8**

3 Hydro provides (table 5-4) a table which compares depreciation and accretion for the 2019 Test
4 Year and 2027 Test Year. Hydro states (lines 14 to 16 of page 5.5 and lines 1 to 9 of page 5.6) "In
5 the 2027 Test Year, depreciation and accretion is \$31.9 million higher than in the 2019 Test
6 Year....as a result of Hydro's capital program, including projects related to Holyrood TGS, which
7 are depreciated at an accelerated rate given its planned retirement...partially offset by reduced
8 depreciation rates proposed in the depreciation study...The depreciation study recommends the
9 use of updated estimates of the service life of assets. The combined impact of these changes on
10 Hydro's revenue requirements for the 2027 Test Year is a decrease of \$7.3 million from the 2019
11 Test Year."

12 a) Provide a breakdown of the net \$31.9 million increase in depreciation from the 2019
13 Test Year to the 2027 Test Year between plant additions, plant retirements, Holyrood
14 TGS accelerated depreciation and the impacts of the depreciation study.

15 b) Provide an analysis that supports the \$7.3 million decrease in depreciation expense
16 between the 2019 Test Year and 2027 Test Year as a result of changes proposed in the
17 depreciation study by plant category.

18 c) Identify the most material increases and decreases in depreciation expense that result
19 from the depreciation study and provide summary explanations of the reasons for the
20 proposed useful life changes related to these material increases and decreases.

21 d) Extend table 5-4 to include 2028 Forecast to 2030 Forecast of depreciation and
22 accretion and comment on the reasons for changes in these projected costs.

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24
25 A. a) Table 1 shows a breakdown of the net \$31.9 million increase in depreciation from the 2019
26 Test Year to the 2027 Test Year.

Table 1: Depreciation Breakdown 2019TY versus 2027TY (\$ Millions)¹

	2019TY	2027TY	Variance
Total Test Year Depreciation & Accretion	85.8	117.7	(31.9)
<i>Breakdown of Balance</i>			
Holyrood Accelerated Depreciation Additions	16.9	29.2	(12.3)
Regulatory Adjustments			
GEC, ² Muskrat Falls/Labrador Transmission Assets			
Sustaining Capital, Cloud Costs, AFUDC ³	(0.6)	1.3	(1.8)
Removal Depreciation	5.1	6.3	(1.1)
Impact of Software Asset Transfers and Additions ⁴	2.0	6.4	(4.4)
Accretion of Asset Retirement Obligation	0.4	1.1	(0.7)
Asset Base Growth and Disposals	61.9	73.5	(11.5)
Total	85.8	117.7	(31.9)

- 1 **b)** Table 2 shows the \$7.3 million decrease in depreciation as a result of the depreciation study
2 changes.

Table 2: Depreciation Study Changes by Plant Category (\$)

Plant Category	Change in Depreciation
Computer Software	(1,007,794)
Diesel Generation	258,474
Distribution	(1,978,364)
Feasibility Studies	(40,784)
Gas Turbines	(97,894)
General Plant	(1,354,466)
Hydraulic Generation	(1,335,277)
Information Systems & Telecoms	(721,156)
Meters	(1,728)
Substations	(180,589)
Thermal Generation	172,226
Transmission Lines	(1,054,967)
Total	(7,342,319)

¹ Numbers may not add due to rounding.

² General Expenses Capitalized ("GEC").

³ Allowance for Funds Used During Construction ("AFUDC").

⁴ Transfers of existing assets as approved under Board of Commissioners of Public Utilities Order No. P.U. 18(2026).

c) Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-076 of this proceeding for a description of the reasons behind each average service life change proposed.

d) Please refer to Table 1 for Table 5-4 from Hydro's 2026 General Rate Application, extended to include 2028–2030 Forecast.

Table 1: Depreciation and Accretion 2019TY, 2027TY, 2028F–2030F (\$ Millions)^{5,6}

	2019TY	2027TY	2028F	2029F	2030F
Depreciation	85.4	116.6	129.1	132.9	126.3
Accretion of Asset Retirement Obligation	0.4	1.1	1.1	1.2	1.2
Total Depreciation and Accretion	85.8	117.7	130.2	134.1	127.5

The increase in depreciation in 2028 forecast through 2030 forecast from 2027 Test Year is due to growth in asset base as a result of Hydro's capital program and major capital projects.

⁵ Forecast balances are estimates at a point in time; actual results may differ.

⁶ Forecast 2028-2030 includes the impacts of the Holyrood Accelerated Depreciation Deferral Account and the Muskrat Falls Power Purchase Agreements Sustaining Capital Deferral Account but excludes the impact of any other variance deferral mechanisms.