

1 Q. **Reference: NP-NLH-097, Issue Topic: Long Term Supply Cost Variance Deferral Account, and**  
2 **Exhibit 11.**

3 Please explain the reasonableness of the proposed capital cost recovery associated with  
4 Holyrood that results in \$27.9 million at March 31, 2030 remaining to be recovered from  
5 customers at the end-of-steam generation of the plant. Would Hydro anticipate additional  
6 capital costs being required from the forecasts included in the GRA filing if Holyrood were to be  
7 extended beyond March 31, 2030? If not, why not?

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10 A. The referenced \$27.9 million remaining to be recovered from customers at March 31, 2030 is  
11 the projected balance in the Holyrood Thermal Generating Station ("Holyrood TGS") Accelerated  
12 Depreciation Deferral Account, which represents the difference between accelerated  
13 depreciation taken on the assets and the depreciation included in Newfoundland and Labrador  
14 Hydro's ("Hydro") test year revenue requirement. The balance results primarily from the timing  
15 of forecast sustaining capital additions relative to the assumed end-of-steam generation date for  
16 the Holyrood TGS. Hydro is forecasting significant sustaining capital investment in the years  
17 immediately preceding retirement, including approximately \$33.3 million in 2027 and  
18 \$18.6 million in 2028 for work such as boiler condition assessments, turbine, generator and  
19 major-pump overhauls, and the Thermal In-Service Failures Program. Because these additions  
20 are placed in service relatively close to March 31, 2030, there is a limited period over which they  
21 can be depreciated before the assumed retirement date.

22 As noted by Hydro in Exhibit 11 of Hydro's 2026 General Rate Application, there is currently no  
23 proposed or approved method or timing for the disposition of the Holyrood TGS Accelerated  
24 Depreciation Deferral Account. While Hydro has assumed an end-of-steam generation date of  
25 March 31, 2030 for forecasting purposes, this date is an assumption only and is consistent with

1 prior evidence that Holyrood TGS will remain available through the Bridging Period.<sup>1</sup> The actual  
2 retirement date of Holyrood TGS will be dependent on the timing and in-service status of  
3 replacement generation, such as Hydro's proposed system additions in its 2025 Build  
4 Application.<sup>2</sup> The appropriateness, timing, and structure of any recovery proposal will be  
5 influenced by several factors that remain uncertain at this time, including the actual retirement  
6 date of Holyrood TGS, the magnitude of the final deferral account balance, and whether that  
7 balance ultimately represents a regulatory asset recoverable from customers or a regulatory  
8 liability owing to customers.

9 However, should the balance be a regulatory asset due from customers, Hydro considers the  
10 resulting recovery of the Holyrood TGS Accelerated Depreciation Deferral Account balance  
11 reasonable because these expenditures related to prudently incurred capital which is pre-  
12 approved by the Board of Commissioners of Public Utilities and required to maintain the  
13 availability of Holyrood TGS for system reliability until replacement supply is available.

14 If Holyrood TGS were required to operate beyond March 31, 2030, Hydro would anticipate that  
15 additional sustaining capital could be required beyond the amounts reflected in the current  
16 forecast. The amount and timing would depend on the duration of the extension, unit condition,  
17 overhaul requirements and reliability needs at that time. Accordingly, an extension of Holyrood  
18 operation would require Hydro to reassess both its sustaining-capital requirements and the  
19 associated capital recovery.

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<sup>1</sup> As per "Reliability and Resource Adequacy Study Review – 2022 Update," Newfoundland and Labrador Hydro, October 3, 2022, the Holyrood TGS shall remain available for a "Bridging Period" until 2030, or until such time that sufficient alternative generation is commissioned, adequate performance of the Labrador-Island Link is proven, and generation reserves are met.

<sup>2</sup> "2025 Build Application – Bay d'Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025.