

1 Q. **Reference: Volume I, Section 6.2.2; Exhibit 14; Responses to PUB-NLH-082; PUB-NLH-102(c);**
2 **and CA-NLH-159(a), (b), (d), and (e)**

3 Exhibit 14 recommends that the third Holyrood TGS unit be classified separately from Units 1
4 and 2, and premises its endorsement of the existing method on Units 1 and 2 operating at
5 higher capacity factors than in recent years.

6 a) Reconcile the Exhibit 14 premise with the 2027 Test Year forecast capacity factor of
7 11.16 percent, which is the lowest in the record and below the 15.74 percent of the
8 2019 Test Year.

9 b) Did Hydro adopt the recommendation to classify the third unit separately? If no, explain
10 why not in light of the statement that the third unit is offline but available throughout
11 the Test Year.

12 c) Provide the class revenue requirement effect of classifying the third unit as 100 percent
13 demand-related and the remaining two units on their own capacity factors, with rate
14 mitigation recalculated.

15 d) Identify any classification methods Hydro considered for Holyrood TGS production plant
16 other than the capacity factor method and explain why it was not adopted (i.e. peak
17 credit, equivalent peaker method, separate treatment of standby capacity).

18 e) Has CA Energy reviewed the 2027 Test Year forecast since the July 30, 2025
19 memorandum? If yes, provide the results of that review.

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22 A. a) The calculation of the capacity factor of 11.16% is based on the capacity of three units. If the
23 calculation was based on two units, the capacity factor would be higher, and the costs
24 associated with the third unit would be classified separately.

25 b) Newfoundland and Labrador Hydro ("Hydro") did not adopt the recommendation to classify
26 the third unit separately. As noted in Exhibit 14 of Hydro's 2026 GRA:

1 One potential complication is that the units are likely to rotate roles, with units
2 1 and 2 running throughout the winter and unit 3 serving as the peaking unit in
3 one year, while the next year might see unit 1 playing the peaking role. Since
4 the units are not identified individually in the COS study, it seems feasible to
5 follow the proposed methodology using the accounting fiction that one unit
6 always plays the peaking role.

7 Since assets not required post-steam production are depreciated using an accelerated rate
8 based on a retirement date of March 31, 2030, Hydro is unable to definitively classify costs
9 since the unit's role could change functions and would have different costs depending on
10 the depreciation rate used. Classifying all the Unit 3 costs as demand-related would result in
11 different costs than if Unit 1 or 2 were classified as demand.

12 **c)** Please refer to Hydro's response to part b).

13 **d)** Christensen Associates Energy Consulting ("CA Energy") was engaged to review the
14 appropriateness of Hydro's use of the capacity factor method for classifying Holyrood
15 Thermal Generating Station ("Holyrood TGS") production plant costs. As described in the
16 memorandum filed by Hydro, the review concluded that the capacity factor method
17 provides a reasonable basis for classifying Holyrood TGS costs. CA Energy was not asked to
18 undertake a methodology review, including comparative evaluation of alternative
19 classification approaches, such as the peak credit method, equivalent peaker method, or
20 separate treatment of standby capacity. Based on the review, the capacity factor method
21 was determined to be adequate for the intended purpose. Hydro's opinion was that existing
22 classifications continued to be appropriate and other methods were not evaluated.

23 **e)** CA Energy has not reviewed the 2027 Test Year forecast since the July 30, 2025,
24 memorandum.