

1 **Q. Reference: Response to CA-NLH-159 (d) and (e)**

2 In CA-NLH-159(d) and (e) Hydro states that it is “committed to investing necessary capital
3 expenditures to ensure the availability of all three units at Holyrood to support system
4 reliability.”

5 The basis on which capital is committed to preserve availability bears directly on the
6 classification of Holyrood TGS non-fuel costs and on the Holyrood TGS Accelerated Depreciation
7 Deferral Account. Please confirm if Hydro maintains that the requested information in CA-NLH-
8 159(d) and (e) is not necessary for a satisfactory understanding of the matters to be considered
9 in the Application, and if so, identify the reasons.

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12 **A.** In the Request for Information posed by the Consumer Advocate referenced above, the
13 Consumer Advocate referenced Newfoundland and Labrador Hydro’s (“Hydro”) capital budget
14 application and Hydro’s evidence therein with respect to capital expenditures for the Holyrood
15 Thermal Generating Station (“Holyrood TGS”). The Consumer Advocate asked whether Hydro’s
16 commitment to capital expenditure for the Holyrood TGS was consistent with maintaining
17 current reliability levels equating to a derated adjusted utilization forced outage probabilities
18 (“DAUFOP”) of about 20%. The Consumer Advocate further asked if the Holyrood TGS were to
19 remain in service beyond 2030, would Hydro commit to capital expenditure consistent with
20 maintaining current reliability levels equating to a DAUFOP of about 20%.

21 Hydro acknowledges that the role and expected use of the Holyrood TGS are relevant to the
22 classification of Holyrood TGS non-fuel costs and the balances that accumulate in Holyrood TGS
23 Accelerated Depreciation Deferral Account. However, Hydro submits that the evidence
24 necessary to understand that role and expected use for purposes of the 2027 Test Year has been
25 provided in this proceeding and the information requested in CA-NLH-159(d) and (e) is not
26 necessary for a satisfactory understanding of the matters to be considered in this Application.

1 As explained in Section 6.2.2 of Chapter 6 of Hydro’s 2026 General Rate Application, the
2 Holyrood TGS continues to be operated primarily as a base load plant, as it was when the Board
3 of Commissioners of Public Utilities (“Board”) previously considered the classification of
4 Holyrood TGS costs. Two units operate throughout the peak winter months, while the third unit
5 is brought online, if necessary and/or available, in anticipation of extremely cold weather and
6 associated high levels of demand and subsequently shut down with the return to normal winter
7 conditions.

8 Section 6.2.2 also addresses the potential operation of the Holyrood TGS as a standby
9 generating facility. As referenced therein, Hydro’s Reliability and Resource Adequacy Study –
10 2022 Update concluded that the Holyrood TGS, as designed, is not ideally configured to operate
11 as a standby generating facility in response to an unplanned Labrador-Island Link (“LIL”) outage.
12 The units were designed for base load operation, have average recall times in excess of 24
13 hours, and have historically experienced challenges during startup. Hydro therefore concluded
14 that the Holyrood TGS was not suitable for operation as a standby generating facility to be called
15 upon in response to an unplanned LIL outage.

16 Hydro currently tracks performance data for the units at the Holyrood TGS using the Derated
17 Adjusted Forced Outage Rate (“DAFOR”) metric. As noted above the units at the Holyrood TGS
18 are to remain base loaded in the near term until new generation is approved, constructed, and
19 reliably integrated into the IIS. The annual Holyrood TGS DAFOR performance base assumption
20 is based on historical data and is set at 20%; however is subject to change in the future,
21 depending on asset performance.

22 These values do not establish that Hydro’s capital expenditures are committed for the purpose
23 of achieving a DAFOR/DAUFOP of approximately 20 percent. For purposes of the present
24 Application, Hydro’s proposed classification is based on the current and forecast operation of
25 the Holyrood TGS during the 2027 Test Year and Bridging Period. As noted above, Section 6.2.2
26 states that the Holyrood TGS operation is largely unchanged from that which existed when the
27 Board Order No. P.U. 37(2019) was issued. On that basis, together with the opinion of Christian
28 Associates Energy Consulting LLC, Hydro proposes that the classification of Holyrood TGS

1 generation costs, excluding fuel, continue to be based on the test-year forecast capacity factor
2 and that Holyrood TGS fuel costs continue to be classified as 100 percent energy.

3 The question in CA-NLH-159(e) regarding the level of capital investment that may be required if
4 the Holyrood TGS remains in service beyond 2030 does not affect the classification proposed for
5 the 2027 Test Year. The operating role, reliability requirements, and associated capital
6 expenditures for the Holyrood TGS beyond 2030 will depend on the circumstances, system
7 requirements, and approved additional generation at that time. Those matters will be
8 considered through future capital budget applications and/or Hydro's Reliability and Resource
9 Adequacy process, as applicable. It is Hydro's position that they are not required to determine
10 the classification of Holyrood TGS costs based on its forecast use in the 2027 Test Year.

11 While Hydro agrees that the use and operational role of the Holyrood TGS are relevant to its
12 cost classification, Hydro maintains that the additional information requested in CA-NLH-159(d)
13 and (e) concerning whether capital expenditures are directed toward maintaining a DAUFOP or
14 DAFOR of approximately 20 percent, including on the hypothetical assumption that Holyrood
15 remains in service beyond 2030, is not necessary for a satisfactory understanding of Hydro's
16 proposed classification of Holyrood TGS costs in this Application.