

1 **Q: Reference: “Embedded and Marginal Cost of Service Review,” The Brattle**
2 **Group, May 3, 2019, Exhibit II at p. 20/13-17**

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4 **Regarding the functionalization of Holyrood Unit 3, how does The Brattle**
5 **Group suggest that Hydro identify "...the portion of rate base and**
6 **depreciation associated with Holyrood's use as a generator..."? Given that the**
7 **generation components of the assets are being retired, would it not be**
8 **reasonable to change the asset's functionalization entirely to reflect the change**
9 **in function?**

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11 **A.** We understand that the generation components of the assets will remain as a
12 synchronous condenser. However, there remains the financial commitments in the
13 form of rate base and its depreciation that were incurred for Holyrood 3 as a
14 generator asset. Thus, it is appropriate that those financial commitments be
15 functionalized as generation. Preliminarily, and subject to the approval of the
16 Board, as of the retirement date, the accounts, which compromise current
17 Holyrood’s rate base could be frozen and the calculations of return of and on those
18 investments as a generator could be based on those accounts.