

1 Q. If approved, how will this expenditure affect consumer rates and what will be the effect of the  
2 expenditure on rate base?

3 A. The impact of the proposed capital expenditure on customer rates will not be known until  
4 Newfoundland and Labrador Hydro (“Hydro”) files its next General Rate Application (“GRA”).  
5 Hydro does not change customer rates between GRAs to recover the cost of new capital  
6 expenditures approved by the Board of Commissioners of Public Utilities (“Board”). However,  
7 Hydro notes that due to the limited remaining useful life of the Holyrood Thermal Generating  
8 Station, corresponding accelerated depreciation methodology, and timing of the next GRA it is  
9 unlikely that Hydro will have the opportunity to recover the full capital costs under its current  
10 regulatory structure.

11 Hydro estimates that, based on a capital cost of \$7.6 million and a useful life of three years, the  
12 capital expenditure proposed in this application would increase its revenue requirement by  
13 approximately 0.5%, if Hydro were to recover the full capital cost over three years.