

1 Q. **Reference: Economic and Technical Assessment, page 34 (p. 68 pdf)**

2 Citation:

3 Any asset currently in-service that was replaced during the study was assumed
4 to have no salvage value.

5 a. Given that the Port Hope Simpson station was not expected to be replaced until 2035 (Table 9),
6 please explain why no salvage value was attributed to its generating assets.

7

8

9 A. This assumption is consistent with the Depreciation Study approved in Newfoundland and
10 Labrador Hydro's ("Hydro") 2017 General Rate Application. The units of property relating to
11 diesel plants were assumed to have no salvage value at the end of their useful life but were
12 estimated to have removal costs associated with retirement. Other than adjustments for
13 inflation included in the analysis, Hydro does not expect these estimates to change materially by
14 retiring the plant approximately 11 years early. The economic analysis includes an estimate of
15 decommissioning costs associated with the retirement of existing assets.

16 The economic analysis also includes sensitivity analysis on a number of inputs including the
17 salvage value of retired assets. Based on the analysis, it was concluded that salvage value on
18 retired assets had a minimal impact on the results of the cumulative present worth analysis.¹

¹ "Long-Term Supply for Southern Labrador – Phase 1," Newfoundland and Labrador Hydro, July 16, 2021, sch. 1, att. 1, sec. 6.5, p. 45.