

Q. What is the estimated cost of retirement of the Pierre's Brook hydro plant?

A. Newfoundland Power has not created an estimate of the cost of retiring the Pierre's Brook hydroelectric generating plant (the "Pierre's Brook Plant").¹

The proposed refurbishment and continued operation of the Pierre's Brook Plant will cost 4.87¢/kWh over a 50-year period. This is consistent with the least cost provision of energy to the Island Interconnected System. Please see the response to Request for Information NLH-NP-007 for further information concerning the least cost supply of energy to the Island Interconnected System.

The creation of a reliable retirement estimate for a hydroelectric generating plant would only be undertaken by the Company in circumstances where continued operation of the facility was not consistent with the least cost, reliable provision of service to customers on the Island Interconnected System.²

¹ The Company prepares decommissioning studies for all of its hydro generating plants as part of its routine depreciation studies. These decommissioning studies assume, in effect, that hydroelectric developments are perpetual assets and retirement costs reflect ongoing replacement of components of the development. No allowance or estimate is made of the costs necessary to return the development to its natural state which existed prior to construction of the facility. The retirement of a hydroelectric development would necessarily include significant cost associated with restoring the site and environment to an acceptable standard. Retirement would also practically involve communication with various stakeholders such as government agencies and homeowners with property adjacent to the facilities and its associated water bodies.

² The total system cost to retire the Pierre's Brook Plant from service would include costs (i) of removing the existing assets, (ii) of restoring the site and environment, (iii) of recovery of the unrecovered investment and (iv) of replacement energy and capacity. In circumstances where the refurbishment of the Pierre's Brook Plant provides least cost energy, the total cost to retire the Pierre's Brook Plant from service would conceptually have to exceed the cost of refurbishment.