

1 Q. **Reference: Holyrood Accelerated Depreciation**

2 Please explain how the proposed Holyrood TGS Accelerated Depreciation Deferral Account will
3 be treated in rate base. Will the account be deducted from the total accumulated depreciation
4 included in rate base?

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7 A. The Holyrood Thermal Generating Station (“Holyrood TGS”) Accelerated Depreciation Deferral
8 Account will not be deducted from the total accumulated depreciation included in rate base;
9 rather, the deferral account balance will represent deferred depreciation expense to be
10 recovered in future years. The capital asset will be fully depreciated (through accumulated
11 depreciation) in the capital asset records and the eligible depreciation expense will be
12 transferred to the proposed Holyrood TGS Accelerated Depreciation Deferral Account. As this
13 amount will not yet be recovered in rates and will need to be financed by Newfoundland and
14 Labrador Hydro, the account will be included in rate base as a regulatory asset.