

1 Q. **Reference: Application**

2 How did Hydro address the risk of an asset becoming stranded owing to new technology, new
3 environmental regulations such as zero-carbon policies, distributed generation, rate design, etc,
4 or owing to a significant rate increase resulting from Muskrat Falls?

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7 A. Newfoundland and Labrador Hydro (“Hydro”) considers the risk of asset stranding on a case-by-
8 case basis, as per the Capital Budget Provisional Guidelines.¹ In general, Hydro will review the
9 life expectancy of the new/refurbished/upgraded asset compared to the life expectancy of the
10 site in which the work is to be completed. Should the site or asset be subject to relocation or
11 decommissioning, Hydro endeavours to pursue alternate execution strategies to accomplish the
12 required work. In the 2024 Capital Budget Application, this can be seen in the cancelling of
13 scope under the Replace Protective Relays (2024–2025) program (Program 10) where a change
14 in configuration was completed on existing protection in the Holyrood Thermal Generating
15 Station to avoid installing new relays.

16 To further address the risk of asset stranding based on changes in technologies, government
17 policy, etc., Hydro has engaged with other utilities on how to adjust to such dynamic factors.
18 Hydro regularly undertakes a depreciation study in consultation with a third-party depreciation
19 expert, to ensure that its depreciation curves and assumptions are reasonable and consistent
20 with industry practice.

¹ “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.