

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 net-zero emissions policies, distributed generation, rate
4 design, etc, or owing to a significant rate increase resulting from Muskrat Falls beyond 2030?

5

6

7 A. Newfoundland and Labrador Hydro (“Hydro”) considers the risk of asset stranding on a case-by-
8 case basis, as per the provisional Capital Budget Application Guidelines.¹ In general, Hydro will
9 review the life expectancy of the new/refurbished/upgraded asset compared to the life
10 expectancy of the site in which the work is to be completed. Should the site or asset be subject
11 to relocation or decommissioning, Hydro endeavors to pursue alternate execution strategies to
12 accomplish the required work.

13 Additionally, Hydro regularly undertakes a depreciation study in consultation with a third-party
14 depreciation expert, to ensure that its depreciation curves and assumptions are reasonable and
15 consistent with industry practice.

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