Q. **Reference: Schedule 7, Perform Boiler Condition Assessment and Miscellaneous Upgrades (2027) – Holyrood**

Hydro describes the Boiler Condition Assessment and Miscellaneous Upgrades project as an annual assessment/inspection process accompanied by targeted upgrades or replacement work. Hydro states that depreciation of new Holyrood investment is calculated as the capital investment divided by the remaining months of service life.

a) For each 2027 Holyrood capital project/program, please provide: i) proposed expenditure; ii) expected in-service date; iii) expected remaining service life at the in-service date; and iv) resulting depreciation period.

b) Separately identify expenditures relating to: i) inspection/condition assessment; ii) routine maintenance and repair; iii) refurbishment; iv) component replacement; and v) life extension. As part of the response, please explain the basis under IFRS and Hydro’s Capitalization Guidelines for capitalizing each category.

c) Please explain how Hydro distinguishes costs necessary to maintain an existing asset in its current operating condition through retirement from expenditures that increase future economic benefits or extend service potential.

d) For the Boiler Condition Assessment and Miscellaneous Upgrades project, please identify the proposed expenditure attributable to: i) assessment and inspection; ii) physical work already identified; and iii) work that will only be identified as a result of the 2027 assessment.

e) Please explain how Hydro will assess the capitalization eligibility of work identified following the 2027 assessment rather than automatically charging that work to the approved capital project.

f) Please explain the customer-cost treatment of any unamortized or undepreciated balance if Holyrood or an individual asset is retired earlier than forecast.

A. **a)** Each of the individual program or project proposals related to the Holyrood Thermal Generating Station ("Holyrood TGS") provide the proposed expenditures and project schedule. The project schedule provides the anticipated completion date for the program or project.

The anticipated life of the asset (i.e. that the Holyrood TGS shall remain available for a "Bridging Period" until 2030, or until such time that sufficient alternative generation is commissioned) and the depreciation methodology applicable to Holyrood TGS capital investments are likewise explained in the Application. The remaining service life and resulting depreciation period can be estimated the from information provided within the Application and the applicable project proposal. Newfoundland and Labrador Hydro ("Hydro") has not prepared project-by-project depreciation calculations for the purpose of the 2027 Capital Budget Application ("CBA") because depreciation is not a criterion used to assess the prudence or need for the proposed capital projects.

b) Each of the individual project/program proposals within Hydro's 2027 CBA discuss the purpose and justification for the capital expenditures. The information provided indicates whether they are related to inspection/condition assessment; routine maintenance and repair; refurbishment; component replacement; or life extension. Hydro capitalizes expenditures in accordance with International Financial Reporting Standards and its Capitalization Guidelines, provided within Hydro's response to CA-NLH-052 of this proceeding. Holyrood capital expenditures are depreciated and deferred in line with the Holyrood Accelerated Depreciation Deferral Account definition as approved in Board of Commissioners of Public Utilities Order Nos. P.U. 22(2021) and P.U. 1(2024).

c) The continued operation of Holyrood TGS through the Bridging Period was a reliability-driven decision. Please refer to Hydro's responses to CA-NLH-028 and CA-NLH-030 of this proceeding for further discussion on the requirement to maintain the Holyrood TGS through the Bridging Period.

d) As outlined in the proposal included within Hydro's 2027 CBA, the scope of work includes the following:

- Level 2 Condition Assessment on the internal components of the boilers and associated external high-energy piping; and
- Completion of miscellaneous upgrades identified in previous Boiler Condition Assessment projects and required interventions identified during the 2027 assessment that are necessary to support safe and reliable operation through the 2027–2028 winter operating season and beyond, as required.

A more fulsome scope for the 2027 Project will be determined by the outcome of the Level 2 condition assessment. Please refer to the Perform Boiler Condition Assessment and Miscellaneous Upgrades proposal for a detailed discussion of project justification. A breakdown of the project estimate between the condition assessment and items identified as part of previous assessments is provided in Hydro's response to CA-NLH-061 a) of this proceeding. Hydro will report on the total scope of work undertaken as part of the 2027 Project within its annual Capital Expenditures and Carryover Report.

e) Please refer to part b).

f) Please refer to part b).