

1     **Q.     Reference: Schedule 7, Refurbishment and Life-Extension Projects**

- 2             **a)** For each 2027 project exceeding \$1 million described as a refurbishment, upgrade or life  
3                 extension, please provide: i) the expected in-service date; ii) the depreciation class; iii) the  
4                 depreciation rate; iv) the expected depreciable life of the expenditure; and iv) the  
5                 remaining accounting life of the underlying asset.
- 6             **b)** Please explain whether the new expenditure is depreciated over: i) the expected life of  
7                 the refurbishment; ii) the remaining life of the underlying asset; or iii) another period.
- 8             **c)** Where Hydro states that the proposed investment will extend asset service life, please  
9                 quantify the additional life assumed for depreciation purposes.
- 10            **d)** Please identify any project where the expected physical/service life of the investment  
11               differs materially from the period over which customers will pay depreciation expense and  
12               explain why.
- 13            **e)** Please explain how Hydro's depreciation treatment ensures an equitable allocation of the  
14               cost between current and future customers expected to receive the benefits of the  
15               investment.

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- 18     **A.     a)** Newfoundland and Labrador Hydro ("Hydro") does not prepare its capital budget  
19               application ("CBA") or determine depreciation expense at the level contemplated by the  
20               request. The CBA is prepared at the program and project level, while individual capital  
21               expenditures may ultimately result in additions to numerous depreciable assets and  
22               accounts. The final assignment of expenditures to individual assets and depreciation  
23               accounts occurs as the work is completed and assets are placed in service. Accordingly, a  
24               project-level listing of depreciation class, depreciation rate, expected depreciable life,  
25               remaining accounting life of the underlying asset, and assumed incremental depreciable  
26               life is not available for the proposed 2027 projects.

1           Planned execution and completion timing for the applicable projects is provided in the  
2           individual project reports contained in Schedule 7 of the 2027 CBA. Hydro has not prepared  
3           a separate forecast of individual asset in-service dates for the purposes of the CBA.

4           **b)** For information regarding Hydro's depreciation methodology, depreciation accounts,  
5           service-life parameters and depreciation rates, please refer to Exhibit 8 of Hydro's 2026  
6           General Rate Application for the 2024 Technical Update prepared by Concentric Advisors,  
7           ULC ("Concentric").

8           **c)** An exception applies to generation-related capital investment at the Holyrood Thermal  
9           Generating Station ("Holyrood TGS"). As described in Schedule 3 of the 2027 CBA,  
10          depreciation for applicable Holyrood TGS generation assets is calculated on an accelerated  
11          basis using the remaining period of expected generating service. The current capital plan  
12          reflects Hydro's commitment to have the Holyrood TGS fully available through March 31,  
13          2030. Concentric did not develop conventional depreciation rates for the Holyrood  
14          generation assets, noting that recovery of the undepreciated capital cost is addressed  
15          through the regulatory treatment established for those assets.

16          **d)** Hydro's depreciation methodology is intended to allocate the cost of utility plant over the  
17          period in which that plant provides service to customers. As described in the Concentric  
18          Technical Update, depreciation is the allocation of fixed capital costs to expense over time  
19          and, normally, the period over which those costs are allocated corresponds to the period  
20          over which the property renders service.

21          **e)** The use of the straight-line ALG method on a remaining-life basis recognizes that assets  
22          within a depreciable group do not all have identical service lives. The methodology uses  
23          historical retirement experience, current operating expectations, estimated survivor  
24          characteristics and net salvage assumptions to determine depreciation at the account level.  
25          Periodic depreciation studies update those assumptions as asset experience and  
26          expectations change. This approach provides for the recovery of capital costs from  
27          customers over the expected service period of the associated asset group and therefore  
28          supports an equitable allocation of costs between current and future customers receiving  
29          the benefit of those investments.