

1 Q. Reference: *Lower Reheater Replacement – Units 1 and 2*, Page 22, Lines 11-13.

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3 *“The replacement tubes for Unit 1 and 2 boilers lower reheater sections and the*
4 *majority of the replaced equipment is expected to last well beyond interconnection,*
5 *and until a determination has been made for when Units 1 and 2 are no longer*
6 *required for generation.”*

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8 What amortization period will Hydro use for the \$11,800,000 in capital
9 expenditures proposed in this Application?

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12 A. It is still planned to operate the Holyrood Thermal Generating Station (HTGS) units
13 for prime power production through to the in-service date of the LIL and potentially
14 longer depending on the schedule for the in-service of the Muskrat Falls generating
15 units. Hydro does not, at this time, have an updated schedule for LIL or the
16 Muskrat Falls generating facility. We understand that Nalcor is presently reviewing
17 the project schedule and once Hydro received the revised schedule, the company
18 will reflect new dates in its planning.”

19

20 Therefore, \$11.6M of the \$11.8M capital expenditures will be amortized over the
21 useful life of the related assets which is the period from in-service until 2020¹. An
22 air compressor that is estimated to cost \$0.2M will be amortized over a period of
23 30.1 years. This compressor supplies compressed air to the common compressed

¹ As per Board Order P.U. 40(2012), the Board approved Hydro’s Depreciation methodology. The depreciation application included accelerated depreciation for assets that are not required after the Labrador Interconnection, estimated at the time to be year 2020. In the event that the estimated service life changes for these assets, Hydro will propose a revised depreciation period in the next Depreciation Study, which is currently being completed, and this will be included in the 2017 General Rate Application.

- 1 air system, and not any individual generating unit, and will be in service post steam
- 2 production.