Q. **Reference: Application, Volume I, Section 5.2.5 Depreciation and Accretion**

The GRA notes that the 2023 Depreciation Study and 2024 Technical Update result in a $7.3 million reduction in depreciation expense.

a) Please provide separate estimates of the impact of the 2023 Study versus the 2024 Technical Update, with supporting calculations.

b) Please specifically indicate the assumptions regarding Holyrood depreciation applied in the 2019 GRA, each actual year since the 2019 GRA, and in each of the 2024 Study and the 2024 Technical Update.

A. **a)** The $7.3 million reduction in depreciation is a comparison of the 2024 Technical Update depreciation rates to the 2019 Test Year depreciation rates on the 2027 Test Year in-service assets. The depreciation rates used in the calculation of depreciation for the 2027 Test Year are those provided in the 2024 Technical Update, as these rates are the most up-to-date depreciation rates available at the time of submission. The 2023 Depreciation Study depreciation rates have not been used to calculate depreciation as a part of the 2026 General Rate Application, but the 2023 Depreciation Study was used as a basis for the 2024 Technical Update. As a result, Newfoundland and Labrador Hydro ("Hydro") does not have a breakdown comparing the 2023 Depreciation Study depreciation rate impact versus the 2019 Test Year depreciation rates impact on the 2027 Test Year in-service assets.

b) The following are the assumptions regarding the depreciation of Holyrood Thermal Generating Station ("Holyrood TGS") assets expected to be decommissioned at the end of steam generation applied in the 2019 Test Year, each year since the 2019 Test Year and in the 2023 Depreciation Study and 2024 Technical Update. The consistent assumption across each of these periods is that the depreciation of the Holyrood TGS assets expected to be decommissioned at the end of steam generation will be accelerated to reflect full depreciation by the date of decommissioning. The only assumption that has changed through these periods is the end of steam generation date as follows:

- 2019 Test Year: March 31, 2021;
- September 2020–February 2022: March 31, 2023;
- February–October 2022: March 31, 2024; and
- October 2022–Current: March 31, 2030.

The March 31, 2030 end of steam generation date assumption has been used in the 2027 Test Year. With each change in end of steam generation date, Holyrood assets were updated to have remaining life months equal to the number of months remaining to get to the end of steam generation date. Article 4.3 of the 2024 Technical Update states that the recovery of the undepreciated capital cost of the Holyrood generation plant is through a regulatory deferral account and, as such, the 2023 Depreciation Study and 2024 Technical Update have not developed specific depreciation rates for the Holyrood TGS assets.