

November 19, 2025

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Application for Approval of a Proposed Cloud Cost Deferral Account – Hydro's Reply

On October 14, 2025, Newfoundland and Labrador Hydro ("Hydro") filed an application with the Board of Commissioners of Public Utilities ("Board") requesting approval of a deferral account to enable the deferral and recovery of cloud-based computing implementation costs.

The Board issued a review schedule for the application, which allowed for the filing of Requests for Information ("RFIs") by the parties. Hydro replied to various RFIs issued by the Board with all responses filed with the Board on November 6, 2025.

Hydro notes that there were no comments forthcoming from any of the parties.

Hydro's proposed Cloud Cost Deferral Account, effective January 1, 2025, will include implementation costs associated with cloud-based application solutions that would otherwise have been capitalized had they been associated with on-premises solutions qualifying as Intangible Assets under the International Financial Reporting Standards. Hydro proposes to include the account in Hydro's regulated rate base. For information systems that are common and used by all lines of business, Hydro will recover the costs that are deemed applicable to service of the other lines of business in accordance with Hydro's Intercompany Transactions Costing Guidelines. This will ensure that only those costs applicable to serving the regulated business are recovered from customers. The details of Hydro's proposed Cloud Cost Deferral Account, including Hydro's proposals regarding amortization, are set out in Schedule 1 to the Application.

Hydro's proposed solution enables Hydro to appropriately recover prudent costs from customers and to do so over a period which better represents the transfer of benefits to customers, ensuring intergenerational equity.

Hydro respectfully requests that the Board approve the application as submitted.

Should you have any questions, please contact the undersigned.

Jo-Anne Galarneau
Board of Commissioners of Public Utilities

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Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



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