newfoundland labrador hydro

Newfoundland and Labrador Hydro
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October 7, 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 Issue of Debt

Enclosed is Newfoundland and Labrador Hydro's ("Hydro") application for approval of a proposed issue of debt from the Government of Newfoundland and Labrador ("Government").

To ensure least-cost borrowings, Hydro is proposing to have the Government borrow on its behalf and lend the proceeds to Hydro on identical terms and conditions. The terms and timing of the debt issuance will be subject to market conditions.

The proceeds of the proposed debt will be used to refinance the Series Y debt issue and pay down Hydro's short-term borrowings, as noted in the attached application.

Hydro anticipates the borrowing from the the Government to be completed in November 2025 and requests that the Board of Commissioners of Public Utilities issue an expedited schedule for the review of this application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

SWalsh

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/mc

ecc:

Board of Commissioners of Public Utilities
Jacqui H. Glynn
Ryan Oake
Board General

Consumer Advocate
Dennis M. Browne, KC, Browne Fitzgerald Morgan & Avis
Stephen F. Fitzgerald, KC, Browne Fitzgerald Morgan & Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Bernice Bailey, Browne Fitzgerald Morgan & Avis

Linde Canada Inc.
Sheryl E. Nisenbaum
Peter Strong

Newfoundland Power Inc.
Dominic J. Foley
Douglas W. Wright
Regulatory Email

Teck Resources Limited
Shawn Kinsella

Island Industrial Customer Group
Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Glen G. Seaborn, Poole Althouse

Application for Approval of a Proposed Issue of Debt

October 7, 2025

An application to the Board of Commissioners of Public Utilities

IN THE MATTER OF the *Electrical Power Control Act, RSNL 1994*, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, *RSNL 1990*, Chapter P-47 ("*Act*"), and regulations thereunder

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for approval to issue debt from the Province of Newfoundland and Labrador in aggregate not to exceed $300,000,000 on or before February 27, 2026, pursuant to Section 91 of the *Act.*

To: The Board of Commissioners of Public Utilities ("Board")

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro is a corporation continued and existing under the *Hydro Corporation Act, 2024*, is a public utility within the meaning of the *Act* and is subject to the provisions of the *EPCA*.

2. Pursuant to Section 91 of the *Act*, a public utility may not issue evidence of indebtedness payable in more than one year from the date of issue, except as provided in subsection (2) until it has obtained approval from the Board for the proposed issue.

B. Application

3. Consistent with its previous debt issuances which were approved in Board Order No. P.U. 40(2020) and 42(2017) and to ensure least-cost borrowing, Hydro is proposing to raise long-term debt by having the Government of Newfoundland and Labrador ("Government") borrow on its behalf on the general terms indicated below, and lend the proceeds to Hydro on identical terms and conditions the Indebtedness.

Term:	up to 40 years
Amount:	up to $300,000,000
Coupon Rate:	up to 6%
Issue Date:	on or before February 27, 2026
Cost to Hydro:	up to 0.700% of face value plus incidentals
Sinking Fund:	Yes

4. An agreement for the sale of the debentures will be negotiated with the lead underwriters who will be chosen from participants in the borrowing syndicate for the Government.

5. Required annual sinking fund contributions will be invested by Hydro and in accordance with its current practice.[1]

6. Hydro's planned borrowing from the Government is contingent upon receiving authorization from the Lieutenant Governor in Council. Hydro hereby undertakes to provide evidence of such approvals to the Board prior to a final ruling on this Application.

7. The proceeds of the Indebtedness will be used to refinance the balance of the Series Y debt issue which is expected to be approximately $120M net of sinking funds; the remainder will be applied against Hydro's short-term borrowings. Since the last long-term debt issuance on April 13, 2021, the short-term borrowing facilities were used to finance the capital program, along with normal expenditures relating to items such as debt service, supply costs, and operating and maintenance costs.

8. Schedule A to this application contains Hydro's audited, non-consolidated financial statements as at December 31, 2024.

9. Schedule B to this application contains the details of Hydro's existing Indebtedness.

C. Newfoundland and Labrador Hydro's Request

10. Hydro requests that the Board make an order pursuant to Section 91 of the *Act* approving the issuance of up to $300,000,000 in debt for the purposes and under the terms and conditions set forth in this application.

D. Communications

11. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

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[1] Hydro's current practice for sinking fund investments is to purchase Hydro's own bonds with a similar term to maturity as the underlying debt, subject to availability. If not available, Hydro will look to invest in Government of Canada, or any Provincial Government with an S&P credit rating of A- or better, any agency of an above such government and guaranteed by such government, or Canadian Schedule 1 and 2 banks, with an S&P credit rating of A- or better.

DATED at St. John's in the Province of Newfoundland and Labrador this 7th day of October, 2025.

NEWFOUNDLAND AND LABRADOR HYDRO

SWalsh

Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, Newfoundland, A1B 4K7
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Schedule A

Newfoundland and Labrador Hydro Non-Consolidated Financial Statements, December 31, 2024

newfoundland labrador hydro

NEWFOUNDLAND AND LABRADOR HYDRO
NON-CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024

Deloitte LLP
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Independent Auditor's Report

To the Directors of Newfoundland and Labrador Hydro

Opinion

We have audited the non-consolidated financial statements of Newfoundland and Labrador Hydro (the "Company"), which comprise the non-consolidated statement of financial position as at December 31, 2024, and the non-consolidated statements of profit and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued in accordance with the financial reporting provisions of Section 59 of the Public Utilities Act.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 2 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist the Company in complying with the financial reporting provisions of Section 59 of the Public Utilities Act. As a result, the non-consolidated financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
March 20, 2025

NEWFOUNDLAND AND LABRADOR HYDRO
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (millions of Canadian dollars)	Notes	**2024**	2023
ASSETS			
Current assets			
Cash		**3**	29
Trade and other receivables	5	**137**	116
Inventories	6	**104**	101
Current portion of sinking fund investments	9	**20**	7
Contract receivable	26	**3**	13
Prepayments		**5**	6
Deferred asset	7	**84**	68
Total current assets		**356**	340
Non-current assets			
Property, plant and equipment	8	**2,391**	2,315
Sinking fund investments	9	**191**	199
Investments in joint arrangements	10	**778**	732
Other non-current assets		**7**	8
Total assets		**3,723**	3,594
Regulatory deferrals	11	**1,493**	889
Total assets and regulatory deferrals		**5,216**	4,483
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	13	**590**	230
Trade and other payables	12	**199**	167
Current portion of contract payable	26	**325**	274
Current portion of long-term debt	13	**7**	7
Derivative liability	25	**84**	68
Current portion of deferred credits	15	**8**	4
Other current liabilities		**4**	1
Total current liabilities		**1,217**	751
Non-current liabilities			
Long-term debt	13	**2,001**	2,017
Deferred contributions	14	**41**	38
Decommissioning liabilities	16	**27**	27
Employee future benefits	18	**89**	82
Contract payable	26	**401**	178
Other long-term liabilities		**6**	3
Total liabilities		**3,782**	3,096
Shareholder’s equity			
Share capital	19	**23**	23
Contributed capital	19	**142**	143
Reserves		**16**	19
Retained earnings		**1,201**	1,159
Total equity		**1,382**	1,344
Total liabilities and equity		**5,164**	4,440
Regulatory deferrals	11	**52**	43
Total liabilities, equity and regulatory deferrals		**5,216**	4,483

Commitments and contingencies (Note 27)
Subsequent event (Note 31)
See accompanying notes

On behalf of the Board

DIRECTOR

DIRECTOR

NEWFOUNDLAND AND LABRADOR HYDRO
NON-CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

For the year ended December 31 (millions of Canadian dollars)	Notes	**2024**	2023
Energy sales		**802**	797
Other revenue	20	**304**	407
Revenue		**1,106**	1,204
Fuels		**169**	187
Power purchased	21	**1,173**	978
Operating costs	22	**150**	152
Transmission rental		**19**	19
Depreciation and amortization		**80**	73
Net finance expense	23	**110**	95
Other expense	24	**16**	9
Expenses		**1,717**	1,513
Loss for the year from operations		**(611)**	(309)
Share of profit of joint arrangement	10	**46**	30
Preferred dividends		**10**	7
Loss for the year before regulatory adjustments		**(555)**	(272)
Regulatory adjustments	11	**(597)**	(342)
Profit for the year		**42**	70
Other comprehensive loss			
Items that may or have been reclassified to profit or loss:			
Actuarial loss on employee future benefits regulatory adjustment	11	**(1)**	(2)
Actuarial loss on employee future benefits	18	**(3)**	(9)
Share of other comprehensive income (loss) of joint arrangement		**1**	(1)
Other comprehensive loss for the year		**(3)**	(12)
Total comprehensive income for the year		**39**	58

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(millions of Canadian dollars)		Share Capital	Contributed Capital	Reserves	Retained Earnings	Total
Balance at January 1, 2024		**23**	**143**	**19**	**1,159**	**1,344**
Profit for the year		**-**	**-**	**-**	**42**	**42**
Other comprehensive loss for the year		**-**	**-**	**(3)**	**-**	**(3)**
Total comprehensive income for the year		**-**	**-**	**(3)**	**42**	**39**
Regulatory adjustment	**19**	**-**	**(1)**	**-**	**-**	**(1)**
Balance at December 31, 2024		**23**	**142**	**16**	**1,201**	**1,382**
Balance at January 1, 2023		23	144	31	1,094	1,292
Profit for the year		-	-	-	70	70
Other comprehensive loss for the year		-	-	(12)	-	(12)
Total comprehensive income for the year		-	-	(12)	70	58
Regulatory adjustment	19	-	(1)	-	-	(1)
Dividends	19	-	-	-	(5)	(5)
Balance at December 31, 2023		23	143	19	1,159	1,344

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
NON-CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (millions of Canadian dollars)	Notes	**2024**	2023
Operating activities			
Profit for the year		**42**	70
Adjustments to reconcile profit to cash (used in) provided from operating activities:			
Depreciation and amortization		**80**	73
Regulatory adjustments	11	**(597)**	(342)
Share of profit of joint arrangement	10	**(46)**	(30)
Finance income	23	**(19)**	(18)
Finance expense	23	**129**	113
Loss on disposal of property, plant and equipment	24	**6**	5
Other		**14**	2
		(391)	(127)
Changes in non-cash working capital balances	29	**8**	(10)
Increase in contract payable	26	**274**	287
Decrease (increase) in contract receivable	26	**10**	(13)
Interest received		**4**	5
Interest paid		**(128)**	(112)
Net cash (used in) provided from operating activities		**(223)**	30
Investing activities			
Additions to property, plant and equipment and intangible assets	8	**(161)**	(148)
Contributions to sinking funds	9	**(7)**	(7)
Decrease in related party loan receivable		**-**	30
Changes in non-cash working capital balances	29	**1**	10
Net cash used in investing activities		**(167)**	(115)
Financing activities			
Increase in short-term borrowings	13	**360**	99
Other		**4**	4
Changes in non-cash working capital balances	29	**-**	(5)
Net cash provided from financing activities		**364**	98
Net (decrease) increase in cash		**(26)**	13
Cash, beginning of the year		**29**	16
Cash, end of the year		**3**	29

See accompanying notes

NEWFOUNDLAND AND LABRADOR HYDRO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Hydro (Hydro or the Company) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province). The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities. Hydro is a 100% owned subsidiary of Nalcor Energy (Nalcor). Hydro's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

Hydro holds interests in the following entities:

A 65.8% interest in Churchill Falls (Labrador) Corporation Limited (Churchill Falls). Churchill Falls is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

A 51.0% interest in Lower Churchill Development Corporation (LCDC), an inactive subsidiary. LCDC is incorporated under the laws of Newfoundland and Labrador and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River.

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited non-consolidated financial statements (financial statements) have been prepared in accordance with IFRS®Accounting Standards, as issued by the International Accounting Standards Board (IASB) with the exception of Hydro's investments in joint arrangements and related disclosures. These statements are non-consolidated as the investments in joint arrangements have been accounted for using the equity method of accounting, as described in Note 2.8. Consolidated statements for the same period have been prepared for presentation to the Lieutenant Governor in Council of the Province.

These financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The financial statements were approved by Hydro's Board of Directors (the Board) on March 7, 2025.

2.2 Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of amounts on deposit with Schedule 1 Canadian Chartered banks, as well as highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

2.3 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing condition and location. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.4 Property, Plant and Equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Hydro's accounting policy outlined in Note 2.6. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation.

NEWFOUNDLAND AND LABRADOR HYDRO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

When significant parts of property, plant and equipment are required to be replaced at intervals, Hydro recognizes such parts as individual assets with specific useful lives and depreciation rates. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred.

Depreciation commences when the assets are ready for their intended use. Residual values and useful lives are reviewed at the end of each year and adjusted prospectively, if appropriate. As per Board Order P.U. 30 (2019), Hydro was approved to recover gains and losses through accumulated amortization and to record removal costs through depreciation. To comply with International Accounting Standard (IAS) 16, the adjustments related to the recovery of gains and losses through accumulated amortization and removal depreciation are presented as a regulatory adjustment in Note 11. The depreciation lives used are as follows:

Generation plant	3 to 110 years
Transmission and distribution	10 to 75 years
Other assets	3 to 75 years

Generation plant is comprised of hydroelectric, thermal and diesel generation. Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dikes, tailraces, penstocks and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks, and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dikes and liners and cooling systems.

Transmission and distribution include transmission and distribution lines and terminal stations. Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Terminal station assets are used to step up voltages of electricity for transmission and to step down voltages for distribution. Distribution system assets include poles, transformers, insulators, and conductors.

Other assets include telecontrol, buildings, vehicles, furniture, tools and equipment.

The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in Other expense. Pursuant to Board Order No. P.U. 30 (2019), the gains and losses are deferred on retirement of property, plant and equipment. The deferral will be recovered through future depreciation expense.

2.5 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs and feasibility studies, are capitalized as intangible assets in accordance with IAS 38.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each year with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	7 years

2.6 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Non-Consolidated Statement of Profit and Comprehensive Income in the period in which they are incurred.

2.7 Impairment of Non-Financial Assets

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, Hydro estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized immediately in the Non-Consolidated Statement of Profit and Comprehensive Income.

2.8 Investments in Joint Arrangements

A joint arrangement is an arrangement in which two or more parties involved have joint control. Control exists when Hydro has the power, directly or indirectly, to govern the financial and operating policies of another entity, so as to obtain benefits from its activities. A joint arrangement is either classified as a joint operation or a joint venture based on the rights of the parties involved. Hydro's investment in Churchill Falls is classified as a joint operation.

Hydro's investment in Churchill Falls is recorded using the equity method of accounting. Under the equity method, the interest in the investment is carried in the Non-Consolidated Statement of Financial Position at cost plus post acquisition changes in Hydro's share of net assets of the investment. The Non-Consolidated Statement of Profit and Comprehensive Income reflects the share of the profit or loss of the joint operation.

2.9 Employee Future Benefits

(i) Pension Plan

Employees participate in the Province's Public Service Pension Plan (Plan), a multi-employer defined benefit plan. Contributions by Hydro to this Plan are recognized as an expense when employees have rendered service entitling them to the contributions. Liabilities associated with this Plan are held with the Province.

(ii) Other Benefits

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a retirement allowance.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed on an annual basis, based on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses on Hydro's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred. Pursuant to Board Order No. P.U. 36 (2015), Hydro recognizes the amortization of employee future benefit actuarial gains and losses in the Non-Consolidated Statement of Profit and Comprehensive Income as a regulatory adjustment.

The retirement benefit obligation recognized in the Non-Consolidated Statement of Financial Position represents the present value of the defined benefit obligation.

2.10 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Hydro has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Non-Consolidated Statement of Financial Position date using the current discount rate.

2.11 Decommissioning, Restoration and Environmental Liabilities

Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured as the present value of the expected costs to settle the liability, discounted at a rate specific to the liability. The liability is accreted up to the date the liability will be incurred with a corresponding charge to net finance expense. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset or expensed in the Non-Consolidated Statement of Profit and Comprehensive Income if the liability is short-term in nature.

2.12 Revenue from Contracts with Customers

Hydro recognizes revenue from contracts with customers related to the sale of electricity to regulated Provincial industrial, utility and direct customers in rural Newfoundland and Labrador and to non-regulated industrial, utility and external market customers. In addition, Hydro recognizes revenue from the sale of Greenhouse Gas performance credits.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Hydro recognizes revenue when it transfers control of a product or service to a customer.

Revenue from the sale of energy is recognized when Hydro satisfies its performance obligation by transferring energy to the customer. Sales within the Province are primarily at rates approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), whereas export sales and sales to other certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates. Hydro recognizes revenue at the amount to which it has the right to invoice, which corresponds directly to the value of Hydro’s performance to date.

Revenue from the sale of Greenhouse Gas performance credits is recognized when Hydro satisfies its performance obligation by transferring the title of Greenhouse Gas performance credits to the customer. Hydro recognizes revenue at the amount to which it has the right to invoice, which corresponds directly to the value of Hydro’s performance to date.

2.13 Leasing

<u>Lessee Accounting</u>

Hydro assesses whether a contract is or contains a lease, at inception of a contract. Hydro recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, Hydro recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Hydro uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed (and in-substance) lease payments less any lease incentives;
- variable lease payments that depend on an index or rate; and
- payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

The lease liability is subsequently measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when Hydro changes its assessment of whether purchase, renewal or termination options will be exercised. Hydro did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Whenever Hydro incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Hydro expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in operating costs in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Hydro has elected to apply this practical expedient.

2.14 Foreign Currencies

Transactions in currencies other than Hydro's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses not included in regulatory deferrals are recorded in the Non-Consolidated Statement of Profit and Comprehensive Income as Other expense.

2.15 Income Taxes

Hydro is exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

2.16 Financial Instruments

Classification and Initial Measurement
Financial assets and financial liabilities are recognized in the Non-Consolidated Statement of Financial Position when Hydro becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets are classified at amortized cost, fair value through other comprehensive income (FVTOCI), FVTPL or as derivatives designated as hedging instruments in an effective hedge. Financial liabilities are classified at FVTPL, amortized cost or as derivatives designated as hedging instruments in an effective hedge. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets at Amortized Cost
Financial assets with contractual cash flows arising on specified dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Hydro's financial assets at amortized cost include cash, trade and other receivables, and sinking fund investments.

Financial Assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not a part of a designated hedging relationship. Currently, Hydro has no financial assets measured at FVTPL.

Financial Liabilities at Amortized Cost
Hydro subsequently measures all financial liabilities at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liability is derecognized.

Hydro's financial liabilities at amortized cost include trade and other payables, short-term borrowings and long-term debt.

Financial Liabilities at FVTPL
Financial liabilities that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Hydro's financial liabilities measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Derecognition of Financial Instruments
Hydro derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Hydro derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of Financial Assets

Hydro recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Hydro always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on Hydro's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Hydro also records 12-month ECL for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are cash and sinking funds.

For all other financial instruments, Hydro recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, Hydro measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2.17 Government Grants

Government grants are recognized when there is reasonable assurance that Hydro will comply with the associated conditions and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which Hydro recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Hydro should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the Non-Consolidated Statement of Financial Position and transferred to the Non-Consolidated Statement of Profit and Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Hydro with no future related costs are recognized in the Non-Consolidated Statement of Profit and Comprehensive Income in the period in which they become receivable.

2.18 Regulatory Deferrals

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service methodology. Hydro's allowed rate of return on average rate base approved in Board Order No. P.U. 30 (2019) is 5.4% in 2024 and 5.4% in 2023. Hydro applies various regulator approved accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally, these policies result in the deferral and amortization of costs or credits which are expected to be recovered or refunded in future rates. In the absence of rate regulation, these amounts would be included in the determination of profit or loss in the year the amounts are incurred. The effects of rate regulation on the financial statements are disclosed in Note 11.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS Accounting Standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates, including changes as a result of future decisions made by the PUB. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Judgments

(i) Property, Plant and Equipment
Hydro's accounting policy relating to property, plant and equipment is described in Note 2.4. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for Hydro's property, plant and equipment.

(ii) Revenue
Management exercises judgment in estimating the value of electricity consumed by retail customers in the period, but billed subsequent to the end of the reporting period. Specifically, this involves an estimate of consumption for each retail customer, based on the customer's past consumption history.

When recognizing deferrals and related amortization of costs or credits, Management assumes that such costs or credits will be recovered or refunded through customer rates in future years. Recovery of some of these deferrals is subject to a future PUB order. As such, there is a risk that some or all of the regulatory deferrals will not be approved by the PUB which could have a material impact on Hydro's profit or loss in the year the order is received.

(iii) Determination of CGUs
Hydro's accounting policy relating to impairment of non-financial assets is described in Note 2.7. In applying this policy, Hydro groups assets into the smallest identifiable group for which cash flows are largely independent of the cash flows from other assets or groups of assets. Judgment is used in determining the level at which cash flows are largely independent of other assets or groups of assets.

(iv) Discount Rates
Certain of Hydro's financial liabilities are discounted using discount rates that are subject to Management's judgment.

(v) Regulatory adjustments
Regulatory assets and liabilities recorded in Hydro arise due to the rate setting process for regulated utilities governed by the PUB. The amounts relate to costs or credits which Management believes will be recovered or settled through customer rates in future periods, pursuant to the proceedings and outcomes of future PUB orders. Certain estimates are necessary since the regulatory environment often requires amounts to be recognized at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. The final amounts approved by the PUB for deferral as regulatory assets and liabilities and the approved recovery or settlement periods may differ from those originally expected. Any resulting adjustments to original estimates could have a material impact and are recognized in profit or loss in the period in which they become known.

3.2 Use of Estimates

(i) Property, Plant and Equipment
Amounts recorded for depreciation are based on the useful lives of Hydro's assets. The useful lives of property, plant and equipment are determined by independent specialists and reviewed annually by Hydro. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

(ii) Decommissioning Liabilities
Hydro recognizes a liability for the fair value of the future expenditures required to settle obligations associated with the retirement of property, plant and equipment. Decommissioning liabilities are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of decommissioning liabilities is included in the Non-Consolidated Statement of Profit and Comprehensive Income through net finance expense. Differences between the recorded decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the settlement period.

(iii) Employee Future Benefits
Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee benefits is accounted for on an accrual basis, and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

(iv) Deferred Assets and Derivative Liabilities
Effective October 1, 2015, Hydro entered into a power purchase agreement (PPA) with Nalcor Energy Marketing Corporation (Energy Marketing) which allows for the purchase of available Recapture energy from Hydro for resale by Energy Marketing. Additionally, the PPA allows for the use of Hydro's transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009. The current terms of the PPA require a 60 day termination notice by either party. Management's assumption is that the term of the PPA at December 31, 2024, will continue for at least the next 12 months.

Fair values relating to Hydro's financial instruments and derivatives that have been classified as Level 3 have been determined using inputs for the assets or liabilities that are not readily observable. Certain of these fair values are classified as Level 3 as the transactions do not occur in an active market, or the terms extend beyond the period for which a quoted price is available.

Hydro's PPA with Energy Marketing is accounted for as a derivative instrument. Where Hydro determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the derivative transactions are initially measured at fair value and the expected difference is deferred. Subsequently, the deferred difference is recognized in profit or loss on an appropriate basis over the life of the related derivative instrument but not later than when the valuation is wholly supported by observable market data or the transaction has occurred.

Hydro has elected to defer the difference between the fair value of the power purchase derivative liability upon initial recognition and the transaction price of the power purchase derivative liability and to amortize the deferred asset on a straight-line basis over its effective term (Note 7). These methods, when compared with alternatives, were determined by Management to most accurately reflect the nature and substance of the transactions.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of applicable standards/interpretations that have been issued and are effective for accounting periods commencing on or after January 1, 2024, as specified.

- *Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*[1]
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity*[2]
- *IFRS 18 – Presentation and Disclosures in Financial Statements* [3]

[1] Effective for annual periods beginning on or after January 1, 2024.
[2] Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

4.1 Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants

The IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The classification is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. Additional information was added to clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are applied retrospectively upon adoption. The application of these amendments did not have a material impact on Hydro’s financial statements.

4.2 Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the ‘own-use’ requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows. Management is currently assessing the potential impact on Hydro’s financial statements.

4.3 IFRS 18 – Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements of IAS 1 unchanged and introducing new requirements to present specified categories and defined subtotals in the statement of profit or loss. As well, entities will be required to provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation. In addition, some IAS 1 paragraphs have been moved to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7. Furthermore, the IASB has made minor amendments to *IAS 7 – Statement of Cash Flows*.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. Management is currently assessing the potential impact on Hydro’s financial statements.

5. TRADE AND OTHER RECEIVABLES

As at December 31 (millions of Canadian dollars)	Note	**2024**	2023
Trade receivables		**130**	125
Other receivables		**24**	9
Due from related parties	26	**7**	5
Loss allowance		**(24)**	(23)
		137	116

As at December 31 (millions of Canadian dollars)	**2024**	2023
0-60 days	**134**	114
60+ days	**3**	2
	137	116

As at December 31 (millions of Canadian dollars)	**2024**	2023
Loss allowance, beginning of the year	**(23)**	(19)
Change in balance during the year	**(1)**	(4)
Loss allowance, end of the year	**(24)**	(23)

6. INVENTORIES

As at December 31 (millions of Canadian dollars)	**2024**	2023
Fuel	**59**	59
Materials and other	**45**	42
	104	101

Fuel inventory includes No. 6 fuel in the amount of $44.4 million (2023 - $41.0 million). The cost of inventories recognized as an expense during the year is $173.1 million (2023 - $190.7 million) and is included in operating costs and fuels.

7. DEFERRED ASSET

The deferred asset related to Hydro's Power Purchase Agreement (PPA) with Energy Marketing is amortized into income on a straight-line basis over the assumed twelve month term of the contract, which commenced on January 1, 2024. In December 2024, Management assessed the anticipated contract term and determined that a new deferred asset and derivative liability was required. This resulted in a deferred asset addition of $83.9 million (2023 - $68.1 million) to be amortized into income on a straight-line basis over the assumed twelve month term, commencing on January 1, 2025. The components of change are as follows:

As at December 31 (millions of Canadian dollars)	**2024**	2023
Deferred asset, beginning of the year	**68**	86
Additions	**84**	68
Amortization	**(68)**	(86)
Deferred asset, end of the year	**84**	68

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NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

8. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Generation Plant	Transmission and Distribution	Other	Assets Under Development	Total
Cost					
Balance at January 1, 2023	1,445	1,263	147	38	2,893
Additions	-	-	-	150	150
Disposals	(7)	(2)	(6)	-	(15)
Transfers	50	46	13	(109)	-
Decommissioning liabilities and revisions	9	-	-	-	9
Other adjustments	(1)	(1)	-	(2)	(4)
Balance at December 31, 2023	1,496	1,306	154	77	3,033
Additions	**2**	**-**	**-**	**161**	**163**
Disposals	**(15)**	**(2)**	**(8)**	**-**	**(25)**
Transfers	**81**	**76**	**16**	**(174)**	**(1)**
Decommissioning liabilities and revisions	**1**	**-**	**-**	**-**	**1**
Other adjustments	**(4)**	**-**	**-**	**2**	**(2)**
Balance at December 31, 2024	**1,561**	**1,380**	**162**	**66**	**3,169**
Depreciation					
Balance at January 1, 2023	372	226	59	-	657
Depreciation	33	30	8	-	71
Disposals	(3)	(1)	(6)	-	(10)
Balance at December 31, 2023	402	255	61	-	718
Depreciation	**39**	**32**	**8**	**-**	**79**
Disposals	**(11)**	**(1)**	**(7)**	**-**	**(19)**
Balance at December 31, 2024	**430**	**286**	**62**	**-**	**778**
Carrying value					
Balance at January 1, 2023	1,073	1,037	88	38	2,236
Balance at December 31, 2023	1,094	1,051	93	77	2,315
Balance at December 31, 2024	**1,131**	**1,094**	**100**	**66**	**2,391**

Capitalized interest for the year ended December 31, 2024 was $2.0 million (2023 - $1.9 million) related to assets under development.

9. SINKING FUND INVESTMENTS

As at December 31, 2024, sinking funds include $211.2 million (2023 - $205.9 million) related to repayment of Hydro's long-term debt. Sinking fund investments consist of bonds, debentures, short-term borrowings and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Schedule 1 banks, and have maturity dates ranging from 2025 to 2033.

Hydro debentures, which are intended to be held to maturity, are deducted from debt while all other sinking fund investments are shown separately on the Non-Consolidated Statement of Financial Position as assets. Annual contributions to the various sinking funds are in accordance with bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 1.42% to 6.82% (2023 - 1.42% to 6.82%).

The movement in sinking funds for the year is as follows:

As at December 31 (millions of Canadian dollars)	**2024**	2023
Sinking funds, beginning of the year	**206**	202
Contributions	**7**	7
Change in sinking fund investments in own debentures	**(17)**	(17)
Earnings	**15**	14
Sinking funds, end of the year	**211**	206
Less: sinking fund investments maturing within one year	**(20)**	(7)
	191	199

Sinking fund instalments due over the next five years are as follows:

(millions of Canadian dollars)	2025	2026	2027	2028	2029
Sinking fund instalments	7	4	4	4	4

10. INVESTMENTS IN JOINT ARRANGEMENTS

As at December 31 (millions of Canadian dollars)	**Ownership Interest**	**2024**	2023
Churchill Falls	65.8%		
Shares, at cost		**167**	167
Equity in retained earnings, beginning of the year		**561**	531
Accumulated other comprehensive income, beginning of the year		**4**	5
Other comprehensive loss		**-**	(1)
Equity in profit for the year		**46**	30
		778	732

11. REGULATORY DEFERRALS

(millions of Canadian dollars)		January 1 2024	Reclass & Disposition	Regulatory Activity	**December 31 2024**	Remaining Recovery Settlement Period (years)
Regulatory asset deferrals						
Power purchase expense recognition	(a)	440	-	286	**726**	n/a
Supply cost variance deferral account	(b)	271	-	261	**532**	n/a
Muskrat Falls PPA monetization	(c)	13	-	61	**74**	n/a
Retirement asset pool	(d)	40	-	6	**46**	n/a
Foreign exchange losses	(e)	39	-	(2)	**37**	17.0
Rate stabilization plan (RSP)	(f)	47	12	(28)	**31**	n/a
Muskrat Falls PPA sustaining capital	(g)	5	-	11	**16**	n/a
Business system transformation program	(h)	9	-	2	**11**	n/a
Deferred energy conservation costs	(i)	7	-	1	**8**	n/a
Supply deferral	(j)	12	(12)	6	**6**	n/a
Other	(k-p)	6	-	-	**6**	n/a
		889	-	604	**1,493**	
Regulatory liability deferrals						
Removal provision	(q)	(23)	-	(4)	**(27)**	n/a
Holyrood thermal generating station (TGS) accelerated depreciation deferral account	(r)	(10)	-	(4)	**(14)**	n/a
Insurance amortization and proceeds	(s)	(4)	-	-	**(4)**	n/a
Other	(t-w)	(6)	-	(1)	**(7)**	n/a
		(43)	-	(9)	**(52)**	

11.1 Regulatory Adjustments Recorded in the Non-Consolidated Statement of Profit and Comprehensive Income

For the year ended December 31 (millions of Canadian dollars)		**2024**	2023
Power purchase expense recognition	(a)	**(286)**	(275)
Supply cost variance deferral account	(b)	**(261)**	(81)
Muskrat Falls PPA monetization	(c)	**(61)**	13
RSP	(f)	**28**	14
Muskrat Falls PPA sustaining capital	(g)	**(11)**	(4)
Supply deferral	(j)	**(6)**	(12)
Retirement asset pool	(d)	**(6)**	(5)
Holyrood TGS accelerated depreciation deferral account	(r)	**4**	10
Removal provision	(q)	**4**	1
Other	(e,h-i,k-p,s-w)	**(2)**	(3)
		(597)	(342)

The following section describes Hydro's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit for 2024 would have decreased by $596.9 million (2023 - $342.4 million).

11.(a) Power Purchase Expense Recognition

In Board Order No's. P.U. 9 (2021) and P.U. 33 (2021), the PUB approved Hydro's proposal to deviate from IFRS to allow recognition of expenses related to the purchase of energy in accordance with the commercial terms of the Muskrat Falls Power Purchase Agreement and Labrador-Island Link Transmission Funding Agreement (TFA). For the year ended December 31, 2024, IFRS power purchase expenses were $286.2 million (2023 - $274.5 million) higher than commercial payments which resulted in a total regulatory asset of $726.5 million (2023 - $440.3 million).

11.(b) Supply Cost Variance Deferral Account

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer payments under the Muskrat Falls Project agreements, rate mitigation funding, project cost recovery from customers and supply cost variances.

On May 16, 2024, the Province announced the finalization of its Rate Mitigation Plan. The Plan ensures domestic rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% per year up to and including 2030. The Plan also requires that any additional rate mitigation funding required to mitigate Lower Churchill costs for the period up to and including 2030 come from Hydro and Nalcor's own sources, to the extent possible.

The Province has also directed Hydro and Nalcor to retire the ending 2023 Supply Cost Variance Deferral Account (SCVDA) balance of $271.3 million over the 2024-2026 period, and to transfer $90.0 million from Nalcor to Hydro, in 2024, as the first year of the three annual amounts to retire the 2023 balance. (In 2023 a $190.4 million grant was provided by the Province). In 2024, the second drawing on the convertible debenture of $150.3 million, including interest (2023 - $144.7 million), was received by LIL (2021) Limited Partnership and the funds were transferred to Hydro for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs. The total amount of rate mitigation funding received in 2024 was $240.3 million (2023 - $335.1 million). This rate mitigation funding offset by normal activity of the SCVDA of $500.8 million (2023 - $416.0 million), resulted in a net increase in the account of $260.4 million (2023 - $80.9 million). The total balance owing from customers for year ended December 31, 2024 is $531.7 million (2023 - $271.3 million). In February 2025, Hydro applied $441.0 million of rate mitigation funding against the SCVDA. Use of these funds from Hydro's own sources reduces Hydro's non-regulated net income.

11.(c) Muskrat Falls PPA Monetization

Under the Muskrat Falls PPA, following the calendar year end, Hydro is able to monetize an amount of undelivered Schedule II energy at an Annual Average Sales Price of Muskrat Falls energy exports for the previous year. In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the Board approved Hydro's proposal to recognize an estimate of the monetized energy in the year in which the energy was exported by Muskrat Falls, instead of waiting until Hydro can monetize in the following year resulting in a regulatory receivable. In 2024, Hydro eliminated the 2023 balance of the regulatory receivable in the amount of $13.3 million upon actual monetization of the 2023 undelivered Schedule II energy and recorded a regulatory receivable for the estimated monetization of 2024 undelivered Schedule II energy of $73.8 million (2023 - $13.3 million).

11.(d) Retirement Asset Pool

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the deferral of gains and losses on retirement of assets. The deferral will be recovered through future depreciation expense. In 2024, Hydro deferred $5.8 million (2023 - $4.8 million) of retirement asset activity resulting in a total balance of $45.9 million (2023 - $40.2 million).

11.(e) Foreign Exchange Losses

In 2002, the PUB ordered Hydro to defer realized foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt and amortize the balance over a 40 year period. Accordingly, these costs were recognized as a regulatory asset. During 2024, amortization expense of $2.2 million (2023 - $2.2 million) was recorded.

11.(f) RSP

In 1986, the PUB ordered Hydro to implement the RSP which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, hydrology, load and associated interest. Adjustments required in utility rates to cover the amortization of the balance are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Per Board Order No. P.U. 33 (2021) and Hydro's compliance filing, the RSP was discontinued for purposes of deferring variations in hydraulic production, No. 6 fuel and load as at October 31, 2021. The Board ordered that the RSP should be maintained to provide timely recovery of the remaining balance which results in the continuation of recovery and

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interest charges and, in 2024, Hydro recovered $30.2 million (2023 - $16.5 million) from customers. As well, Board Order No. P.U. 10 (2024) approved the recovery of the 2023 Isolated Systems Supply Cost Variance Deferral from the RSP Current Plan resulting in an increase to the RSP of $11.6 million (2023 - $8.7 million). This activity and associated interest accrued of $2.2 million in 2024 (2023 - $3.0 million) resulted in a remaining balance for future recovery from customers of $31.0 million (2023 - $47.4 million).

11.(g) Muskrat Falls PPA Sustaining Capital

In Board Order No. P.U. 33 (2021), the PUB approved Hydro's proposal to defer contributions required to be made by Hydro for sustaining capital investments pursuant to the Muskrat Falls PPA with recovery to be addressed in Hydro's next general rate application. In 2024, Hydro has deferred $11.0 million (2023 - $4.4 million) in contribution activity resulting in a total balance of $15.9 million (2023 - $4.9 million).

11.(h) Business System Transformation Program

In Board Order No.'s P.U. 23 (2019) and P.U. 30 (2019), the Board approved the deferral of business system transformation program costs. The recovery of the deferral is subject to a future Board order. In Board Order No. P.U. 27, (2022), the Board approved the recovery of a portion of the deferred costs up to the end of 2022, which totalled $6.7 million, through customer rates to be established in Hydro's next general rate application. During the year, Hydro deferred $1.5 million (2023 - $1.5 million), resulting in a total deferral of $10.7 million (2023 - $9.2 million).

11.(i) Deferred Energy Conservation Costs

In 2024, Hydro deferred $1.4 million (2023 - $1.4 million) in Energy Conservation Costs associated with an electrical conservation demand management program for residential, industrial, and commercial sectors. As per Board Order No. P.U. 22 (2017), Hydro recovered $0.9 million (2023 - $1.6 million) of the balance through a rate rider which resulted in a total deferred balance of $7.8 million (2023 - $7.3 million).

11.(j) Supply Deferral

The Supply Deferral consists of the Isolated Systems Supply Cost Variance Deferral only as per Board Order No. P.U. 33 (2021). During 2024, Hydro recorded a net decrease in the supply deferral asset of $5.6 million (2023 - $3.4 million increase) resulting in a balance from customers of $6.7 million (2023 - $12.3 million). The decrease is primarily due to the recovery of the 2023 Isolated System Supply Cost Variance Deferral balance as per Board Order No. P.U. 10 (2024) with $11.6 million of the total (2023 - $8.7 million) recovered from the current RSP Plan, partially offset by the normal operation of the deferral of $6.5 million (2023 - $5.6 million).

11.(k) Deferred Foreign Exchange on Fuel

Hydro purchases fuel for its Holyrood TGS in USD. There are regulatory mechanisms that allow Hydro to defer variances in fuel prices, including foreign exchange fluctuations. During 2024, Hydro recognized an increase to regulatory assets due to foreign exchange on fuel purchases of $1.1 million (2023 - decrease to regulatory assets due to foreign exchange on fuel purchases of $0.2 million).

11.(l) Phase Two Hearing Costs

Pursuant to Board Order No. P.U. 13 (2016), Hydro received approval to defer consulting fees and salary related costs relating to Phase Two of the investigation into the reliability and adequacy of power on the Island Interconnected system after the interconnection with the Muskrat Falls generating station. In 2019, Phase Two of the Board's investigation was concluded with recovery to be addressed in a future Board Order. There were no additions in 2024 or 2023. The total deferred balance is $1.4 million (2023 - $1.4 million).

11.(m) Asset Disposal

As per Board Order No. P.U. 49 (2016), the Board ordered that Hydro recognize a regulatory asset of $0.4 million related to the Sunnyside transformer that was disposed of in 2014. Hydro is required to recover the deferred asset in rate base and amortize the asset for 22.4 years commencing in 2015. Hydro is required to exclude the new Sunnyside transformer from rate base until the Sunnyside transformer original asset deferral has been fully amortized.

11.(n) Non-Customer Contributions in Aid of Construction

Pursuant to Board Order No. P.U. 1 (2017), Hydro recognized amortization of deferred contributions in aid of construction (CIAC) from entities which are non-customer related parties in profit or loss. During 2024, Hydro recorded $1.1 million (2023 - $1.2 million) in non-customer CIAC amortization as a regulatory adjustment. In the absence of rate regulation, IFRS requires these non-customer CIACs to be recorded as contributed capital with no corresponding amortization. As a result, during 2024 Hydro also recorded a decrease of $1.1 million (2023 - $1.2 million) to contributed capital to recognize the amount that was reclassified to profit or loss.

11.(o) Employee Future Benefits Actuarial Loss

Pursuant to Board Order No. P.U. 36 (2015), Hydro has recognized the amortization of employee future benefit actuarial gains and losses in net income. During 2024 Hydro recorded $1.0 million (2023 - $2.0 million) employee future benefits losses as a regulatory adjustment. In the absence of rate regulation, IFRS would require Hydro to include employee future benefits actuarial gains and losses in other comprehensive income. As a result, during 2024 Hydro also recorded a decrease of $1.0 million (2023 - $2.0 million) to other comprehensive income to recognize the amount that was reclassified to profit or loss.

11.(p) Reliability and Resource Adequacy Study

In Board Order No. P.U. 29 (2019), the Board approved the deferral of costs associated with the Reliability and Resource Adequacy proceeding. Hydro deferred $0.3 million in 2024 (2023 - $0.3 million) resulting in a regulatory asset of $3.0 million (2023 - $2.7 million). The recovery of the balance is to be determined in a future Board Order.

11.(q) Removal Provision

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the provision for removal costs. Hydro recorded a net increase to the provision relating to 2024 activity of $4.1 million (2023 - $0.8 million) resulting in a total balance of $26.9 million (2023 - $22.8 million). The increase was driven by removal depreciation of $5.8 million (2023 - $5.5 million) which was partially offset by removal costs of $1.7 million (2023 - $4.7 million).

11.(r) Holyrood TGS Accelerated Depreciation Deferral Account

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer, for future recovery, any difference in excess of ±$2.5 million, between the accelerated depreciation expense for Holyrood TGS in 2023 and 2024 and the accelerated depreciation expense included in the approved 2019 Test Year. For the year ended December 31, 2024, the Holyrood accelerated depreciation expense was $6.8 million lower (2023 - $12.3 million lower) than the 2019 Test Year depreciation resulting in a regulatory liability of $14.1 million (2023 - $9.8 million). The disposition of the balance of this account is subject to a further Board Order from the PUB.

11.(s) Insurance Amortization and Proceeds

Pursuant to Board Order No. P.U. 13 (2012), Hydro records net insurance proceeds against the capital costs and amortizes the balance over the life of the asset. Under IFRS, Hydro is required to recognize the insurance proceeds and corresponding amortization in regulatory liabilities. During 2024, Hydro recorded a net decrease of $0.1 million (2023 - $0.1 million) to the regulatory liability resulting in a balance of $3.9 million (2023 - $4.0 million). The decrease was driven by insurance amortization of $0.1 million (2023 - $0.1 million).

11.(t) Frequency Converter Revenue Deferral Account

In Board Order No. P.U. 35 (2020), the PUB approved the deferral of the cumulative revenue requirement impact associated with the loss on the sale of a frequency converter, commencing December, 2019. The disposition of the cumulative revenue requirement impact included in the deferral account balance will be addressed as part of Hydro's next general rate application. During 2024, Hydro deferred $0.2 million as a regulatory liability (2023 - $0.2 million) resulting in a balance payable of $1.2 million (2023 - $0.9 million).

11.(u) Hydraulic Resources Optimization Deferral Account

In Board Order No. P.U. 49 (2018), a deferral account to capture the revenues and costs associated with the hydraulic optimization activities was approved. For the year, hydraulic optimization activities were an addition of $0.1 million (2023 - $nil) resulting in a total balance of $5.8 million (2023 - $5.7 million) recorded as a deferred liability.

11.(v) Deferred Purchased Power Savings

In 1997, the PUB ordered Hydro to defer $1.1 million related to reduced purchased power rates resulting from the interconnection of communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec system and amortize the balance over a 30 year period. The remaining unamortized savings in the amount of $0.1 million (2023 - $0.1 million) are deferred as a regulatory liability.

11.(w) Electrification Cost Deferral Account

In Board Order No. P.U. 33 (2023), the PUB approved Hydro's proposal to establish an account to defer costs related to electrification initiatives. In 2024, Hydro recorded $nil (2023 - $0.1 million) in the account relating to the net of 2024 depreciation expense of the electric vehicle charging stations and the amortization of contributions in aid of construction resulting in a total balance of $0.1 million (2023 - $0.1 million).

12. TRADE AND OTHER PAYABLES

As at December 31 (millions of Canadian dollars)	Note	**2024**	2023
Trade payables		**104**	93
Due to related parties	26	**58**	35
Accrued interest payable		**17**	17
Other payables		**20**	22
		199	167

13. DEBT

13.1 Short-term Borrowings

Hydro has a $300.0 million provincially guaranteed promissory note program and a $500.0 million committed credit facility to fulfil its short-term funding requirements. As at December 31, 2024, there were four promissory notes outstanding for a total of $300.0 million with a maturity date of January 2, 2025 bearing interest rates ranging from 3.31% to 3.36% (2023 - two promissory notes for a total of $230.0 million maturing January 2, 2024 bearing interest rates ranging from 5.15% to 5.17%). Upon maturity, the promissory notes were reissued.

Hydro's $500.0 million committed revolving term credit facility has a maturity date of July 31, 2025. As at December 31, 2024, there was an advance on the credit facility in the amount of $290.0 million with a maturity date of January 2, 2025 bearing interest at a rate of 4.09% (2023 - $nil). Upon maturity the advance was reissued. This amount combined with the $300.0 million provincially guaranteed promissory note program resulted in total short-term borrowings of $590.0 million as at December 31, 2024 (2023 - $230.0 million).

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13.2 Long-term Debt

The following table represents the value of long-term debt measured at amortized cost:

As at December 31 (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**2024**	2023
Hydro						
Y *	300	8.40	1996	2026	**299**	298
AB *	300	6.65	2001	2031	**303**	304
AD *	125	5.70	2003	2033	**124**	124
AF	500	3.60	2014/2017	2045	**483**	483
1A	600	3.70	2017/2018	2048	**636**	636
2A	300	1.75	2021	2030	**291**	290
Total	2,125				**2,136**	2,135
Less: Sinking fund investments in own debentures					**128**	111
					2,008	2,024
Less: Sinking fund payments due within one year					**7**	7
					2,001	2,017

*Sinking funds have been established for these issues.

Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province with the exception of Series 1A and 2A. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years for debt outstanding as of December 31, 2010. For debt issued subsequent to December 31, 2010, the guarantee rate is 25 basis points annually on the total debt (net of sinking funds) with an original term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with an original term to maturity greater than 10 years. The guarantee fee recorded for the year ended December 31, 2024 was $8.9 million (2023 - $8.8 million).

14. DEFERRED CONTRIBUTIONS

Hydro has received contributions in aid of construction of property, plant and equipment. These contributions are deferred and amortized to other revenue over the life of the related property, plant and equipment asset.

As at December 31 (millions of Canadian dollars)	**2024**	2023
Deferred contributions, beginning of the year	**39**	36
Additions	**4**	4
Amortization	**(1)**	(1)
Deferred contributions, end of the year	**42**	39
Less: current portion	**(1)**	(1)
	41	38

15. DEFERRED CREDITS

Deferred credits include contributions received from customers to complete interconnection studies and obligations to provide future transmission services to Energy Marketing.

As at December 31 (millions of Canadian dollars)	**2024**	2023
Deferred credits, beginning of the year	**4**	3
Net additions	**4**	1
Deferred credits, end of the year	**8**	4
Less: current portion	**(8)**	(4)
	-	-

16. DECOMMISSIONING LIABILITIES

Hydro has recognized liabilities associated with the retirement of portions of the Holyrood TGS and the disposal of Polychlorinated Biphenyls (PCB).

The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities for December 31, 2024 and 2023 are as follows:

As at December 31 (millions of Canadian dollars)	**2024**	2023
Decommissioning liabilities, beginning of the year	**27**	17
Accretion	**1**	1
Revisions	**1**	9
Decommissioning liabilities, end of the year	**29**	27
Less: current portion	**(2)**	-
	27	27

The total estimated undiscounted cash flows required to settle the Holyrood TGS obligations at December 31, 2024 are $34.9 million (2023 - $34.8 million). Payments to settle the liability are expected to occur between 2025 and 2031. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at Hydro's credit adjusted risk free rate of 3.4% (2023 - 3.8%). Hydro has recorded $28.5 million (2023 - $26.4 million) related to Holyrood TGS obligations.

The total estimated undiscounted cash flows required to settle the PCB obligations at December 31, 2024 are $0.2 million (2023 - $0.3 million). Payments to settle the liability are expected to occur in 2025. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at Hydro's credit adjusted risk free rate of 3.3% (2023 - 4.2%). Hydro has recorded $0.2 million (2023 - $0.2 million) related to PCB obligations.

Hydro's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Hydro's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related decommissioning liability cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is required to remove, a decommissioning liability for those assets will be recognized at that time.

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17. LEASES

Amounts Recognized in the Non-Consolidated Statement of Profit and Comprehensive Income

For the year ended December 31 (millions of Canadian dollars)		**2024**	2023
Variable lease payments not included in the measurement of leases	(a)	28	30

(a) Variable lease payments not included in the measurement of leases include payments made to Nalcor for power generated from assets which are owned by the Province. These variable lease payments are included in power purchased in the Non-Consolidated Statement of Profit and Comprehensive Income.

The total cash outflow for leases for the year ended December 31, 2024 amount to $28.4 million (2023 - $29.8 million).

18. EMPLOYEE FUTURE BENEFITS

18.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2024 of $9.3 million (2023 - $8.3 million) are expensed as incurred.

18.2 Other Benefits

Hydro provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases their surviving spouses, in addition to a retirement allowance. In 2024, cash payments to beneficiaries for its unfunded other employee future benefits were $3.1 million (2023 - $3.0 million). An actuarial valuation was performed as at December 31, 2024.

As at December 31 (millions of Canadian dollars)		**2024**	2023
Accrued benefit obligation, beginning of the year		**82**	71
Current service cost		**2**	2
Interest cost		**4**	3
Benefits paid		**(3)**	(3)
Actuarial loss	(a)	**3**	9
Transfers		**1**	-
Accrued benefit obligation, end of the year		**89**	82

(a) Pursuant to Board Order No. P.U. 36 (2015), Hydro recorded $1.0 million (2023 - $2.0 million) of employee future benefits losses as a regulatory adjustment to decrease other comprehensive income and recognize the amount in profit or loss.

For the year ended December 31 (millions of Canadian dollars)	**2024**	2023
Component of benefit cost		
Current service cost	**2**	2
Interest cost	**4**	3
Total benefit expense for the year	**6**	5

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expenses are as follows:

	2024	2023
Discount rate - benefit cost	**4.65%**	5.20%
Discount rate - accrued benefit obligation	**4.70%**	4.65%
Rate of compensation increase	**3.50%**	3.50%

Assumed healthcare trend rates:

	2024	2023
Initial health care expense trend rate	**5.85%**	6.00%
Cost trend decline to	**3.60%**	3.60%

Current rate 5.85%, reducing linearly to 3.6% in 2040 and thereafter.

A 1% change in assumed health care trend rates would have had the following effects:

Increase (millions of Canadian dollars)	2024	2023
Current service and interest cost	**1**	1
Accrued benefit obligation	**11**	10

Decrease (millions of Canadian dollars)	2024	2023
Current service and interest cost	**(1)**	(1)
Accrued benefit obligation	**(9)**	(8)

19. SHAREHOLDER'S EQUITY

19.1 Share Capital

As at December 31 (millions of Canadian dollars)	2024	2023
Common shares of par value of $1 each		
Authorized: 25,000,000		
Issued, paid and outstanding: 22,503,942	**23**	23

19.2 Contributed Capital

As at December 31 (millions of Canadian dollars)	2024	2023
Contributed capital for the year	**150**	150
Regulatory adjustment, beginning of the year	**(7)**	(6)
Amortization recognized as a regulatory adjustment	**(1)**	(1)
	142	143

During 2024, Lower Churchill Management Corporation (LCMC) contributed $0.2 million (2023 - $0.2 million) in additions to property, plant and equipment. Pursuant to Board Order No. P.U. 1 (2017), Hydro recognized $1.1 million (2023 - $1.2 million) in amortization as a regulatory adjustment.

19.3 Dividends

For the year ended December 31 (millions of Canadian dollars)	2024	2023
Declared during the year		
Dividend for current year: $nil per share (2023 - $0.24)	**-**	5
	-	5

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20. OTHER REVENUE

For the year ended December 31 (millions of Canadian dollars)		**2024**	2023
Rate mitigation funding	(a)	**240**	335
Transmission tariff revenue		**37**	36
Greenhouse Gas performance credit sales		**20**	23
Recovery of supply power		**2**	9
Other		**5**	4
Total other revenue		**304**	407

(a) Rate mitigation funding is described in Note 11 (b).

21. POWER PURCHASED

The supply period and contractual payments of the PPA with Muskrat Falls, the PPA for Labrador Residual Block Use and the Labrador-Island Link TFA commenced in November 2021, February 2022 and April 2023, respectively. For the year ended December 31, 2024, Hydro recognized power purchase expense of $1,026.8 million (2023 - $865.9 million) associated with these agreements. The majority of these power purchase expenses are deferred in either the Supply Cost Variance Deferral account or the Power Purchase Expense Recognition account as described in Note 11.

22. OPERATING COSTS

For the year ended December 31 (millions of Canadian dollars)	**2024**	2023
Salaries and benefits	**94**	90
Maintenance and materials	**25**	31
Professional services	**12**	11
Travel and transportation	**5**	5
Insurance	**5**	5
Bad debt expense	**1**	5
Other operating costs	**8**	5
Total operating costs	**150**	152

23. NET FINANCE EXPENSE

For the year ended December 31 (millions of Canadian dollars)	**2024**	2023
Finance income		
Sinking fund	**15**	14
Other	**4**	4
	19	18
Finance expense		
Long-term debt	**98**	98
Short-term borrowings	**21**	6
Debt guarantee fee	**9**	9
Other	**3**	2
	131	115
Interest capitalized during construction	**(2)**	(2)
	129	113
Net finance expense	**110**	95

24. OTHER EXPENSE

For the year ended December 31 (millions of Canadian dollars)		**2024**	2023
Loss on disposal of property, plant and equipment	(a)	**6**	5
Foreign exchange loss	(a)	**3**	-
Removal costs	(a)	**2**	5
Other		**5**	(1)
Total other expense		**16**	9

(a) The majority of these other expenses are deferred in either the Retirement Asset Pool account, Deferred Foreign Exchange on Fuel account, or Removal Provision account as described in Note 11.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

25.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2024 and 2023 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions.

As a significant number of Hydro's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Hydro as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Hydro determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurement for the years ended December 31, 2024 and 2023.

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	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
As at (millions of Canadian dollars)		**December 31, 2024**		December 31, 2023	
Financial assets					
Sinking funds - investments in Hydro debt issue	**2**	**128**	**129**	111	111
Sinking funds - other investments	**2**	**211**	**220**	206	214
Financial liabilities					
Derivative liability	**3**	**84**	**84**	68	68
Long-term debt (including amount due within one year before sinking funds)	**2**	**2,136**	**2,063**	2,135	2,066

The fair value of cash, trade and other receivables, short-term borrowings and trade and other payables approximates their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include the derivative liability relating to the PPA with Energy Marketing and represents the future value provided to Energy Marketing through the contract.

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at December 31, 2024:

(millions of Canadian dollars)	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative liability (PPA)	84	Modelled pricing	Volumes (MWh)	34%-36% of available generation

The derivative liability arising under the PPA with Energy Marketing is designated as a Level 3 instrument as certain forward market prices and related volumes are not readily determinable to estimate a portion of the fair value of the derivative liability. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at December 31, 2024, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in a +$1.5 million to +$3.2 million change in the carrying value of the derivative liability.

The components of the change impacting the carrying value of the derivative liability for the years ended December 31, 2024 and 2023 are as follows:

(millions of Canadian dollars)	**Level 3**
Balance at January 1, 2024	**(68)**
Purchases	**(84)**
Changes in profit or loss	
Settlements	**68**
Total	**68**
Balance at December 31, 2024	**(84)**

(millions of Canadian dollars)	Level 3
Balance at January 1, 2023	(86)
Purchases	(68)
Changes in profit or loss	
Mark-to-market	23
Settlements	63
Total	86
Balance at December 31, 2023	(68)

25.2 Risk Management

Hydro is exposed to certain credit, liquidity and market risks through its operating, investing and financing activities. Financial risk is managed in accordance with Hydro's Board approved Financial Risk Management Policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Hydro's expected future cash flows.

Credit Risk

Hydro's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash and cash equivalents and derivative assets as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Non-Consolidated Statement of Financial Position at the reporting date.

Credit risk on cash is minimal, as Hydro's cash deposits are held by a Schedule 1 Canadian Chartered Bank with a rating of A+ (Standard and Poor's).

Credit exposure on Hydro's sinking funds is limited by restricting the holdings to long-term debt instruments issued by the Government of Canada or any province of Canada, Crown corporations and Schedule 1 Canadian Chartered Banks. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the remainder of the sinking funds portfolio:

	Issuer Credit Rating	**Fair Value of Portfolio (%)**	Issuer Credit Rating	Fair Value of Portfolio (%)
	2024		2023	
Provincial Governments	**AA- to AAA**	**16.94%**	AA- to AAA	14.09%
Provincial Governments	**A- to A+**	**20.27%**	A- to A+	24.27%
Provincially owned utilities	**AA- to AAA**	**23.21%**	AA- to AAA	24.13%
Provincially owned utilities	**A- to A+**	**39.58%**	A- to A+	37.51%
		100.00%		100.00%

Hydro's exposure to credit risk on its energy sales and associated accounts receivable is determined by the credit quality of its customers. Hydro's three largest customers account for 80.2% (2023 - 80.8%) of total energy sales and 61.3% (2023 - 72.7%) of accounts receivable.

Liquidity Risk
Hydro is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity is mainly provided through cash on hand, funds from operations, a $300.0 million promissory note program and a $500.0 million committed revolving term credit facility with a maturity date of July 31, 2025. Long-term liquidity risk is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2026 to 2048. Sinking funds have been established for certain issues.

The following are the contractual maturities of Hydro's financial liabilities, including principal and interest, as at December 31, 2024:

(millions of Canadian dollars)	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	199	-	-	-	199
Short-term borrowings	590	-	-	-	590
Derivative liability	84	-	-	-	84
Debt guarantee fee	9	17	16	116	158
Long-term debt including sinking funds	7	126	8	1,594	1,735
Interest	98	157	145	781	1,181
	987	300	169	2,491	3,947

Market Risk
In the course of carrying out its operating, financing and investing activities, Hydro is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Hydro has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably the USD/CAD, and current commodity prices, most notably the spot prices for fuel and electricity.

The derivative liability relates to the PPA with Energy Marketing and represents the future value provided to Energy Marketing through the contract. On September 14, 2016, the terms of the PPA were amended. Under the amendment, the PPA can be terminated by either party with notice provided 60 days prior to the intended termination date.

Interest Rates
Changes in prevailing interest rates will impact the fair value of financial assets and liabilities, which includes Hydro's cash and sinking funds. Expected future cash flows associated with those financial instruments can also be impacted. The impact of a 0.5% change in interest rates on net income and other comprehensive income associated with cash and short-term debt was negligible throughout 2024 due to the short time period to maturity. Hydro is not exposed to interest rate risk on its long-term debt as all of Hydro's long-term debt has fixed interest rates.

Foreign Currency and Commodity Exposure
Hydro is exposed to USD foreign exchange and commodity price risk arising from its purchases of fuel used in electricity generation. Hydro is also exposed to commodity price risk associated with electricity prices. These risks are mitigated through the operation of the regulatory mechanisms.

NEWFOUNDLAND AND LABRADOR HYDRO
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26. RELATED PARTY TRANSACTIONS

Hydro enters into various transactions with its parent and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

Related parties with which Hydro transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of Hydro
The Province	100% shareholder of Nalcor
Churchill Falls	Joint arrangement of Hydro
Energy Marketing	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation (LCMC)	Wholly-owned subsidiary of Nalcor
Labrador-Island Link Operating Corporation (LIL Opco)	Wholly-owned subsidiary of Nalcor
Muskrat Falls Corporation (Muskrat Falls)	Wholly-owned subsidiary of Nalcor
Nalcor Energy – Oil and Gas Inc.	Wholly-owned subsidiary of Nalcor
Labrador Transmission Corporation	Wholly-owned subsidiary of Nalcor
Board of Commissioners of Public Utilities (PUB)	Agency of the Province
Labrador-Island Link Limited Partnership	Limited partnership between a wholly-owned subsidiary of Nalcor and KKR Island Link Incorporated

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Significant related party transactions, which are not otherwise disclosed separately in the financial statements, are summarized below:

As at December 31 (millions of Canadian dollars)	Notes	**2024**	2023
Trade and other receivables:	5		
The Province		**2**	1
Other related parties		**5**	4
Contract receivable:			
Other related parties	(a)	**3**	13
Trade and other payables:	12		
Parent		**15**	13
Joint operation		**15**	4
The Province		**9**	9
Other related parties		**19**	9
Contract payable:			
Other related parties	(b)	**726**	452
Long-term debt:			
The Province		**927**	926
Other liabilities:			
Other related parties		**2**	2

For the year ended December 31 (millions of Canadian dollars)		**2024**	2023
Energy sales:			
The Province		**3**	3
Other related parties		**39**	43
Other revenue:			
The Province		**-**	190
Parent		**241**	153
Other related parties		**37**	36
Power purchases:			
Joint operation		**53**	52
Parent		**28**	30
Other related parties	21	**1,027**	866
Net operating expense (recovery):			
Parent		**7**	5
Joint operation		**(2)**	(1)
Net finance expense (income):			
The Province		**36**	36
Other related parties		**(2)**	(2)

(a) Payments under the Labrador-Island Link TFA commenced in April 2023. The contract receivable balance represents the timing difference between the expense recognition of the value of the service delivered to Hydro and the contractual payments made under the agreement.

(b) Hydro entered into a PPA with Muskrat Falls for the purchase of energy and capacity from the Muskrat Falls Plant. The contract payable balance represents the timing difference between the value of the energy and capacity delivered to Hydro and the contractual payments made under the PPA.

NEWFOUNDLAND AND LABRADOR HYDRO
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26.1 Key Management Personnel Compensation

Compensation for key management personnel, which Hydro defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include costs such as base salaries and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

For the year ended December 31 (millions of Canadian dollars)	**2024**	2023
Salaries and employee benefits	**2**	2

27. COMMITMENTS AND CONTINGENCIES

(a) Hydro is subject to legal claims with respect to impact on land use, energy and capacity delivery, construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavorable outcome for Hydro, they may have a significant adverse impact on Hydro's financial position.

(b) Outstanding commitments for capital projects total approximately $81.4 million as at December 31, 2024 (2023 - $35.0 million).

(c) Hydro has entered into a number of long-term power purchase agreements as follows:

Type	**Rating**	**Effective Date**	**Term**
Hydroelectric	6.5 MW	2021	24 years
Hydroelectric	4 MW	2023	3 years
Hydroelectric	300 MW	1998	43 years
Hydroelectric	225 MW	2015	25 years
Hydroelectric	824 MW	2021	50 years
Cogeneration	15 MW	2023	10 years
Wind	390 kW	2004	Continual
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years
Hydroelectric, Solar, Battery	240 kW Hydro 189 kW Solar 334.5 kW Battery	2019	15 years
Solar	103 kW	2022	Continual

Estimated payments due in each of the next five years are as follows:

(millions of Canadian dollars)	2025	2026	2027	2028	2029
Power purchases	885	861	871	884	891

(d) Through a power purchase agreement signed October 1, 2015, with Energy Marketing, Hydro maintains the transmission services contract it entered into with Hydro-Québec TransÉnergie which concludes in 2029.

The transmission rental payments for the next five years are estimated to be as follows:

(millions of Canadian dollars)	2025	2026	2027	2028	2029
Transmission rental payments	21	21	21	21	5

(e) In 2023, Hydro entered into a new long-term Capacity Assistance Arrangement (CAA) with Corner Brook Pulp and Paper (CBPP). This was approved by the Board Order No. P.U. 32 (2023). Under the terms this CAA will provide Hydro with up to 90 MW of relief power in the winter period and 50 MW in the summer period over a 15 year term. Payments under this contract are made monthly at a rate of $80 per kW per year for the maximum capacity contracted, escalating by an annual consumer price index.

28. CAPITAL MANAGEMENT

Hydro's principal business requires ongoing access to capital in order to maintain assets to ensure the continued delivery of safe and reliable service to its customers. Therefore, Hydro's primary objective when managing capital is to ensure ready access to capital at a reasonable cost, to minimize its cost of capital within the confines of established risk parameters, and to safeguard Hydro's ability to continue as a going concern.

The capital managed by Hydro is comprised of debt (long-term debentures, short-term borrowings, bank credit facilities and bank indebtedness) and equity (share capital, shareholder contributions, reserves and retained earnings).

A summary of the capital structure is outlined below:

(millions of Canadian dollars)	**2024**		2023	
Debt				
Sinking funds	**(211)**		(206)	
Short-term borrowings	**590**		230	
Current portion of long-term debt	**7**		7	
Long-term debt	**2,001**		2,017	
	2,387	**63.3%**	2,048	60.4%
Equity				
Share capital	**23**		23	
Contributed capital	**142**		143	
Reserves	**16**		19	
Retained earnings	**1,201**		1,159	
	1,382	**36.7%**	1,344	39.6%
Total Debt and Equity	**3,769**	**100.0%**	3,392	100.0%

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity, and its interest coverage.

For the regulated portion of Hydro's operations, Management targets a capital structure comprised of 75% debt and 25% equity, a ratio which Management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, shareholder contributions and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB. Hydro's committed credit facility has a covenant requiring Hydro to ensure that its consolidated debt to total capitalization ratio does not exceed 85%. As at December 31, 2024 and 2023, Hydro was in compliance with this covenant.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. On December 15, 2023, the Lieutenant-Governor in Council issued Order in Council OC2023-272 to increase the level of short-term borrowings permitted by Hydro to $700.0 million, effective until December 31, 2025 after which the level will decrease to $500.0 million commencing January 1, 2026. Effective January 1, 2025, these limits have been revised to $1.0 billion, reducing to $800.0 million commencing January 1, 2026 as a result of amalgamation as described in Note 31. As at December 31, 2024, there was $590.0 million (2023 - $230.0 million) of short term debt outstanding.

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The Hydro Corporation Act, 2007 (the Act) limited Hydro's total borrowings outstanding at any point in time, which includes both short-term borrowings and long-term debt to $2.6 billion with new limits revised to $3.2 billion as a result of amalgamation.

Historically, Hydro addressed longer-term capital funding requirements by issuing government guaranteed long-term debt in the domestic capital markets. Since 2017, the Province has instead issued debt in the domestic capital markets, on Hydro's behalf, and in turn loans the funds to Hydro on a cost recovery basis. Any additional funding to address long-term capital funding requirements requires approval from the Province and the PUB.

29. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (millions of Canadian dollars)	**2024**	2023
Trade and other receivables	**(21)**	(4)
Inventories	**(3)**	(2)
Prepayments	**1**	-
Trade and other payables	**32**	1
Changes in non-cash working capital balances	**9**	(5)
Related to:		
Operating activities	**8**	(10)
Investing activities	**1**	10
Financing activities	**-**	(5)
	9	(5)

30. SEGMENT INFORMATION

Hydro operates in three business segments. The designation of segments is based on a combination of regulatory status and management accountability.

Hydro Regulated activities encompass sales of electricity to customers within the Province that are regulated by the PUB and for export markets. Hydro Non-Regulated activities include the sale of energy to mining operations in Labrador West and for export markets as well as Hydro's costs that are excluded from the determination of customer rates. Energy Marketing activities includes the sale of electricity and transmission to Hydro's affiliate, Energy Marketing.

	Hydro Regulated	Non-Regulated Activities	Energy Marketing	Total
(millions of Canadian dollars)	For the year ended December 31, 2024			
Energy sales	**740**	**58**	**4**	**802**
Other revenue	**285**	**-**	**19**	**304**
Revenue	**1,025**	**58**	**23**	**1,106**
Fuels	**169**	**-**	**-**	**169**
Power purchased	**1,083**	**86**	**4**	**1,173**
Operating costs	**150**	**-**	**-**	**150**
Transmission rental	**-**	**-**	**19**	**19**
Depreciation and amortization	**80**	**-**	**-**	**80**
Net finance expense	**110**	**-**	**-**	**110**
Other expense	**10**	**6**	**-**	**16**
Expenses	**1,602**	**92**	**23**	**1,717**
Loss for the year from operations	**(577)**	**(34)**	**-**	**(611)**
Share of profit of joint arrangement	**-**	**46**	**-**	**46**
Preferred dividends	**-**	**10**	**-**	**10**
(Loss) profit for the year before regulatory adjustments	**(577)**	**22**	**-**	**(555)**
Regulatory adjustments	**(597)**	**-**	**-**	**(597)**
Profit for the year	**20**	**22**	**-**	**42**
Capital expenditures*	**163**	**-**	**-**	**163**
Total assets	**4,342**	**787**	**87**	**5,216**

***Capital expenditures include non-cash additions of $0.2 million contributed by Lower Churchill Management Corporation and $2.0 million of interest capitalized during construction.**

NEWFOUNDLAND AND LABRADOR HYDRO
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

	Hydro Regulated	Non-Regulated Activities	Energy Marketing	Total
(millions of Canadian dollars)	For the year ended December 31, 2023			
Energy sales	740	52	5	797
Other revenue	388	-	19	407
Revenue	1,128	52	24	1,204
Fuels	187	-	-	187
Power purchased	926	47	5	978
Operating costs	148	4	-	152
Transmission rental	-	-	19	19
Depreciation and amortization	73	-	-	73
Net finance expense	94	1	-	95
Other expense	9	-	-	9
Expenses	1,437	52	24	1,513
Loss for the year from operations	(309)	-	-	(309)
Share of profit of joint arrangement	-	30	-	30
Preferred dividends	-	7	-	7
(Loss) profit for the year before regulatory adjustments	(309)	37	-	(272)
Regulatory adjustments	(342)	-	-	(342)
Profit for the year	33	37	-	70
Capital expenditures*	150	-	-	150
Total assets	3,659	752	72	4,483

*Capital expenditures include non-cash additions of $0.2 million contributed by Lower Churchill Management Corporation and $1.9 million of interest capitalized during construction.

31. SUBSEQUENT EVENT

Effective January 1, 2025, Hydro and Nalcor were legislatively amalgamated into a new legal corporation that will continue under the name “Newfoundland and Labrador Hydro”. The amalgamated corporation holds the combined assets and liabilities of the former Hydro and Nalcor entities and is bound by any previously existing contracts and agreements from the former entities. As well, the legislation confirms the continuation of any security or guarantees provided by the Provincial Government to Nalcor with Hydro.

Schedule B

Newfoundland and Labrador Hydro Long-Term Debt and Short-Term Debt Outstanding

Newfoundland and Labrador Hydro
Long-Term Debt and Short-Term Debt Outstanding
($ Millions)[1]

Series	Interest Rate	Year of Issue	Year of Maturity	Authorized and Issued	Amount of Issue Held in Hydro Sinking Funds[2]	Unamortized (Discount) or Premium	Amount Outstanding at 31-Aug-25
Y	8.40%	1996	2026	300	(68)	(0)	$ 232
AB	6.65%	2001	2031	300	(51)	3	$ 252
AD	5.70%	2003	2033	125	(15)	(1)	$ 109
AF	3.60%	2014/2017	2045	500		(16)	$ 484
1A	3.70%	2017/2018	2048	600		35	$ 635
2A	1.75%	2021	2030	300		(8)	$ 292
				2,125	**(134)**	**13**	**$ 2,004**
				Promissory Notes: Borrowed from External Markets			$ 300
				CORRA Advances Drawn on Committed Term Facilities			$ 97
				Total Indebtedness, net of Hydro Bonds held in Sinking Fund			**$ 2,401**

[1] Totals may not add due to rounding.
[2] Total sinking fund balance at August 31, 2025 is $352 million, of which $134 million is held in Hydro bonds as indicated above. Hydro's indebtedness balance net of total sinking funds is $2,182 million.

Affidavit

IN THE MATTER OF the *Electrical Power Control Act, 1994,* SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for approval to issue debt from the Province of Newfoundland and Labrador in aggregate not to exceed $300,000,000 on or before February 27, 2026, pursuant to Section 91 of the *Act.*

AFFIDAVIT

I, Dana Pope, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

1) I am Vice President, Regulatory and Stakeholder Relations, Newfoundland and Labrador Hydro, the applicant named in the attached application.

2) I have read and understand the foregoing application.

3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the province of Newfoundland and Labrador this 7 day of October 2025, before me:

Michelle Compton

Commissioner for Oaths, Newfoundland and Labrador

DPope

Dana Pope, CPA (CA), MBA

MICHELLE COMPTON
A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador.
My commission expires on December 31, 2027