Q. Schedule 1, page 5, lines 20-23. Hydro states that its status as a Crown utility and its allowed return on equity being aligned with an investor-owned utility are not considerations that are relevant in determining the appropriateness or calculation of AFUDC.

Please provide further explanation of why these factors, which are usually viewed as benefits for a utility's financial position, should not be considerations for allowing increased capital cost recovery through establishing the proposed AFUDC deferral account.

A. Newfoundland and Labrador Hydro ("Hydro") agrees these factors are benefits for a utility's financial position. The purpose of Hydro's statement is to express Hydro's opinion that its status as a Crown utility and the method of determining Hydro's Return on Equity should not result in different treatment regarding the capitalization of interest during the construction of an asset than that of an investor-owned utility.

Hydro has an equity component in its capital structure with an approved Return on Equity of 8.60%;[1] these are the primary factors to consider when determining the applicability of using allowance of funds used during construction for the capitalization of interest.

[1] Approved in Board Order No. P.U. 10(2025).