

1 Q. **Reference: Volume 1, page 4.13, footnote 53**

2 Hydro states (footnote 53) *"The service life of the LIL is determined by commercial contracts, is*
3 *linked to cost recovery and not necessarily equal to the actual estimated useful life of the asset."*

4 a) Explain in detail how the service life of the LIL has been determined by commercial
5 contracts.

6 b) Provide the estimated useful life of the LIL and compare to the service life that has been
7 determined by commercial contract.

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10 A. a) The Service Life of the Labrador-Island Link ("LIL") is a defined term in a number of the LIL
11 commercial contracts. It is used for the purposes of defining the period of recovery of the
12 costs of construction of the assets, as well as any operating and sustaining capital costs over
13 the term of the contracts. Emera Inc., ENL Island Link Incorporated, Nalcor Energy, Labrador-
14 Island Link Holding Corporation and Labrador-Island General Partner Corporation signed a
15 letter on May 23, 2024 confirming the initial Service Life of the LIL is 50 years commencing
16 on First Commercial Power on April 14, 2023. This, in turn, set the term of 50 years for the
17 purposes of defining the Service Life of the LIL in the Newfoundland and Labrador
18 Development Agreement, LIL Partnership Agreement, LIL Lease and Transmission Funding
19 Agreement.

20 b) The estimated composite useful life of the LIL assets is just over 55.3 years. The LIL
21 composite depreciation rate was calculated using the Service Lives Estimates provided by
22 Concentric Asset Hierarchy Assessment studies for the Lower Churchill Project assets dated
23 December 2019 and September 2020, and weighting the service life based on the total
24 historic costs¹ in each of the LIL units of property.

¹ The historic costs used to calculate the LIL composite rates are based on actual 2025 historic cost balances as at December 31, 2025.