Q. **Reference: Volume 1, page 4.14**

Hydro states (lines 3 to 5) "*…Rent increased by $10.5 million from the 2024 to the 2027 Test Year. This increase is primarily related to higher bank interest earned in 2024, which is net against the financing costs charged to Hydro.*"

a) Explain how higher interest earned which is presumably a reduction to financing costs and Rent charged to Hydro - results in an increase in Rent or an increase in costs charged to Hydro.

b) If the above quoted variance explanation is not accurate, provide a revised variance explanation for the increase in Rent between 2024 Actual and the 2027 Test Year.

A. The quoted variance is accurate. There was higher bank interest earned in 2024, which was used to reduce Rent payments that were charged to Newfoundland and Labrador Hydro in 2024. In 2027, there was less bank interest earned and therefore Rent was higher in 2027.