Q. **Reference: Volume 1, pages 117 and 148; Schedule D-V, page 239; Order No. P.U. 32(2025)**

Recompute Hydro's claimed $8.0 million non-labour and $9.0 million labour real-dollar savings (2019 Test Year to 2027 Test Year) under a constant capitalization policy - holding Hydro's overhead capitalization rate at its 2019 level rather than the increased rate approved in Order No. P.U. 32(2025) - and state what portion of the claimed savings is attributable to genuine cost reduction versus the reclassification of costs from operating expense to the capitalized/deferred track. Provide the recomputed 2027 Test Year operating costs and savings figures under the 2019 capitalization policy alongside the as-filed figures, with a line-by-line bridge identifying the capitalization-policy-driven portion of the difference.

A. Table 1 shows Newfoundland and Labrador Hydro's ("Hydro") total operating costs in nominal dollars; total operating costs adjusted for costs deferred to the General Expenses Capitalized ("GEC") Deferral Account within 2025, 2026, and 2027 Test Year; and the 2019 Test Year shown in real dollars.

Table 1: O&M[1] Costs Adjusted for GEC vs. 2019 Test Year (Real Dollars)

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**	**2027TY**
Total O&M (Nominal)	133	134	126	131	143	145	151	153	156
Costs Deferred to GEC							6.3	6.4	6.6
Total O&M (Adjusted for GEC)	133	134	126	131	143	145	157	160	163
2019 Test Year Escalated (Real Dollars)	136	138	144	151	156	158	164	169	173

Overall, the 2027 Test Year operating costs forecast is approximately 10%, or $17 million below the 2019 Test Year forecast in real dollars ($173 million - $156 million = $17 million). Within its evidence, Hydro indicated that the split was approximately $8 million in non-labour costs and $9 million in labour costs.

[1] Operating and Maintenance ("O&M").

The costs deferred to the GEC Deferral Account in 2025, 2026 and 2027 Test Year are labour costs. Therefore, $6.6 million of the $9 million savings in real dollars are associated with the costs deferred to the GEC Deferral Account as approved in Board of Commissioners of Public Utilities Order No. P.U. 32(2025). If the 2027 Test Year operating costs forecast is adjusted to include costs deferred to the GEC Deferral Account, the 2027 Test Year is approximately 6% or $10 million below the 2019 Test Year forecast in real dollars ($173 million - $163 million = $10 million).