

1 Q. **Reference: AFUDC Deferral Account Application (April 14, 2026), page 14; Volume 1, page 160**
2 **(footnote 76); Volume 3 (Exhibit 8), page 73 (Table 1); Volume 1, page 149**

3 Reconcile the following four composite depreciation rate figures appearing in the record: (i)
4 2.28%, cited as the currently Board-approved rate from the 2016 Depreciation Study per Order
5 No. P.U. 16(2019); (ii) 2.34%, cited at Volume 1 page 160 footnote 76 as the composite rate in
6 the latest Depreciation Methodology Study, attributed to a weighted average of composite rates
7 in Exhibit 8; (iii) 2.27%, the "Total Plant In Service" calculated annual accrual rate in Exhibit 8's
8 own Table 1; and (iv) 2.10%, the "Total Plant" rate (including the H02 Holyrood accelerated
9 asset) on the same table. Confirm whether 2.34% reflects a different aggregation basis, a
10 different vintage (the 2023 study versus the 2024 update), or a transcription or rounding
11 artifact; provide the specific page, table, and formula from which the 2.34% figure is derived,
12 showing its calculation in full. State which rate Hydro is actually proposing to apply to the
13 AFUDC Deferral Account's amortization going forward, and confirm whether the AFUDC
14 Application's Table 2 arithmetic is affected by any pending change from 2.28% to a different
15 approved composite rate arising from this GRA's approval of the 2023 Depreciation Study and
16 2024 Technical Update.

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19 A. The depreciation rates cited within evidence in Newfoundland and Labrador Hydro's ("Hydro")
20 2026 General Rate Application are as follows:

21 (i) The 2.28% composite depreciation rate is the Board of Commissioners of Public Utilities
22 ("Board")-approved rate from the 2016 Depreciation Study per Order No. P.U. 16(2019).

23 (ii) The 2.34% composite depreciation rate is the weighted average composite depreciation
24 rate using the whole-life accrual depreciation rates in Table 1 of Exhibit 8 by unit of
25 property and weighted using the Original Cost of each unit of property as a portion of
26 the total Original Costs of Capital.

(iii) The 2.27% identified in Table 1 of Exhibit 8 is the accrual rate calculated by dividing the total calculated accrual depreciation from the total Original Assets Cost, excluding Holyrood end-of-steam assets. Hydro does not use the calculated accrual rate as the depreciation rate for amortizing assets. Instead, Hydro uses the whole-life accrual rate for calculating depreciation.

(iv) The 2.10% identified in Table 1 of Exhibit 8 is the accrual rate calculated by dividing the total calculated accrual depreciation from the total Original Assets Cost, including Holyrood end-of-steam assets.

Please refer to CA-NLH-091, Attachment 1, provided in Excel format, which shows the calculation of the 2.34% rate. Hydro is proposing that the 2.34% rate be used as the approved composite depreciation rate.

Table 1 shows the impact to Table 2 of Hydro's application for approval of a deferral account for an allowance for funds used during construction ("AFUDC") by a change from the 2.28% rate to the 2.34% rate.¹ In using the rate of 2.34%, the 2027 Test Year annual amortization expense will increase from \$47,411 to \$48,659, as seen in Table 2 of the AFUDC Application.

Table 1: Illustrative Amortization of AFUDC Deferral Account Balance

Year	Annual Deferred Cost (A) \$	Amortization of Deferred Cost Addition ² (B= A x Rate ³) \$	Annual Amortization Expense (C) \$	Unamortized Balance (D) \$
2026	2,079,432	-	-	2,079,432
2027 Test Year	3,371,976	48,659	48,659	5,402,750

¹ "Approval of a Deferral Account for an Allowance for Funds Used During Construction," Newfoundland and Labrador Hydro, April 14, 2026 ("AFUDC Application").

² Amortization commences in the year following the variance between AFUDC and IDC transfers to the AFUDC Deferral Account. For example, the \$49,000 of amortization in 2027 is related to the 2026 transfers to the AFUDC Deferral Account of \$2.1 million.

³ The rate equals the composite rate in the 2024 Technical Update.