Q. **Reference: Schedule D-IV (Volume 1, page 238)**

Explain the composition of the Debt Guarantee Fee and the drivers of its growth from $8,513,000 (2019 Test Year) to $10,571,000 (2027 Test Year), including the approximately $1.3 million increase between the 2025 forecast ($9,008,000) and the 2026 forecast ($10,327,000). Provide a year-by-year reconciliation showing the effect of

a) growth in guaranteed debt principal outstanding,

b) any change in the fee rate itself, and

c) any other driver, on the total fee for each year 2019-2027.

A. The Debt Guarantee Fee is calculated by applying the applicable guarantee fee rates to the balance outstanding of Newfoundland and Labrador Hydro's (“Hydro”) provincially guaranteed debt or debt on-lent from the province outstanding, net of related sinking funds, as of December 31 of the preceding year.

The increase in the Debt Guarantee Fee from $8.5 million in the 2019 Test Year to $10.6 million in the 2027 Test Year is attributable to changes in the amount of debt outstanding. Over this period, Hydro's financing requirements increased primarily to support its capital program and refinancing activities, resulting in higher balances of debt subject to the fee. The increase is partially offset by sinking fund contributions and returns earned on those sinking funds. Amortization of discounts and premiums on debt issuances over their life also impacts the Debt Guarantee Fee, but is not a significant factor driving the change.

The increase of approximately $1.3 million between the 2025 Forecast and the 2026 Forecast is primarily attributable to the increase in debt outstanding at December 31, 2025, which reflects the issuance of a new series of debt in late 2025 (Series 3A).

There were no changes to the applicable Debt Guarantee Fee rates during the 2019–2027 Test Year period.

Please refer to Hydro’s response to CA-NLH-103 of this proceeding for the calculation of Hydro’s Debt Guarantee Fee for each year from the 2019 Test Year to the 2027 Test Year, detailing Hydro’s guaranteed/on-lent debt outstanding and the guarantee fee rate associated with each long-term debt series, as well as Hydro’s short-term borrowings.