Q. **Reference: Application**

Provide a consolidated schedule for each regulatory deferral account for which an amortization, disposition or recovery amount is included in or proposed for the 2027 Test Year, showing: i) the 2027 amount; ii) whether recovery is through base rates, a rate rider, the Supply Cost Variance Deferral Account or another mechanism; iii) the COS methodology; iv) the resulting amount allocated to each customer class; and v) whether the proposed allocation follows the COS methodology of the underlying cost that gave rise to the deferral and if not, explain why.

A. Please refer to CA-NLH-195, Attachment 1.

**Newfoundland and Labrador Hydro**
**Summary of Deferred Charges with 2027 Regulatory Impact**
**Year Ended December 31, 2027**
**($000)[1]**

**Deferred Charges[2]:**

| Existing | Board Order No. | Rate Base Inclusion (Y/N) | Recovery | Approval of Disposition | Amortization Period | Amortization Classification | Financing Rate | January 1, 2027 Opening Balance | Additions | Dispositions | Amortization | December 31, 2027 Ending Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign Exchange Losses | P.U. 7(2002–2003) | Y | Base Rates (Finance Charges) | Yes | 40 years | Other Expense | Return on Rate Base | 32,354 | - | - | (2,157) | **30,197** |
| Foreign Exchange on Fuel[3] | P.U. 30(2019) | Y | Note 3 | Yes | N/A | N/A | Return on Rate Base | (1,214) | - | - | - | **(1,214)** |
| Conservation Demand Management | P.U. 30(2019) | Y | Rider | Annual Application | 10 years | N/A | Return on Rate Base | 6,520 | (506) | (48) | - | **5,965** |
| Conservation Demand Management - Labrador Interconnected | P.U. 33(2023) and P.U. 14(2026) | Y | Base Rates | Yes | 10 years | Note 8 | Return on Rate Base | 525 | 176 | 48 | (75) | **674** |
| GRA Hearing Costs[4] | To be determined | Y | Base Rates | Proposed | 4 years | Operating Expenses | Return on Rate Base | - | 1,500 | - | (375) | **1,125** |
| Phase II Hearing Costs[4] | P.U. 13(2016) | Y | Base Rates | Proposed | 8 years | Operating Expenses | Return on Rate Base | 1,705 | - | - | (213) | **1,492** |
| Asset Disposal | P.U. 13(2016) | Y | Base Rates | Yes | 22 years | Depreciation | Return on Rate Base | 197 | - | - | (19) | **178** |
| Isolated Supply | P.U. 30(2019) | Y | Transfer to RSP | Annual Application | N/A | N/A | Return on Rate Base then RSP | (193) | - | 193 | - | **-** |
| Business Systems Transformation Program[4,5] | P.U. 16(2019) and P.U. 27(2022) | Y | Base Rates | Proposed | 8 years | Operating Expenses | Return on Rate Base | 14,491 | - | - | (1,878) | **12,613** |
| Reliability and Resource Adequacy[4] | P.U. 29(2019) | Y | Base Rates | Proposed | 8 years | Operating Expenses | Return on Rate Base | 4,413 | 650 | - | (633) | **4,430** |
| Hydraulic Resource Optimization | P.U. 49(2018) | Y | Transfer to SCVDA | Annual Application | N/A | N/A | Return on Rate Base then SCVDA | (183) | - | - | - | **(183)** |
| Frequency Converter[4] | P.U. 35(2020) | Y | Note 9 | Proposed | N/A | N/A | SCVDA and Return on Rate Base - See Note 8 | (1,618) | - | 1,618 | - | **-** |
| Power Purchase Expense Recognition[6] | P.U. 9(2021) and P.U. 33(2021) | N | Note 6 | Note 6 | Note 6 | Note 6 | Note 6 | 1,428,718 | 284,716 | - | - | **1,713,434** |
| Muskrat Falls Export Revenue Recognition[7] | P.U. 33(2021) and P.U. 4(2022) | N | Note 7 | Note 7 | Note 7 | Note 7 | Note 7 | 35,040 | 5,920 | - | - | **40,960** |
| Muskrat Falls Power Purchase Agreement Sustaining Capital[4] | P.U. 33(2021) and P.U. 4(2022) | Y | Base Rates | Proposed | Composite depreciation rate | Depreciation | Return on Rate Base | 43,620 | 9,030 | - | (721) | **51,929** |
| Holyrood Thermal Generating Station Accelerated Depreciation | P.U. 33(2021) and P.U. 4(2022) | Y | To Be Determined | To be Determined | To be Determined | N/A | Return on Rate Base | (11,443) | - | - | - | **(11,443)** |
| Return on Equity[4] | P.U. 10(2025) | Y | Note 9 | Proposed | N/A | N/A | SCVDA and Return on Rate Base - See Note 9 | 491 | - | (491) | - | **(0)** |
| Electrification Cost[4] | P.U. 33(2023) | N | Rider | Proposed | 10 years | N/A | Note 10 | 900 | 99 | - | (54) | **945** |
| General Expenses Capitalized | P.U. 32(2025) | Y | Base Rates | Yes | Composite depreciation rate | Depreciation | Return on Rate Base | 12,251 | 6,578 | - | (389) | **18,440** |
| Allowance for Funds Used During Construction | To be determined | Y | Base Rates | Proposed | Composite depreciation rate | Depreciation | Return on Rate Base | 2,117 | 4,153 | - | (50) | **6,220** |
| Cloud Cost Deferral | P.U. 35(2025) | Y | Base Rates | Yes | Note 11 | Depreciation | Return on Rate Base | 1,978 | - | - | (322) | **1,656** |
| **Proposed** | | | | | | | | | | | | |
| Revenue Deficiency - Island Utility[4] | To be determined | Y | Transfer to SCVDA | Proposed | N/A | N/A | SCVDA | - | 60,083 | (60,083) | - | |
| Revenue Deficiency - Island Industrial[4] | To be determined | Y | Transfer to SCVDA | Proposed | N/A | N/A | SCVDA | - | 2,674 | (2,674) | - | |
| Revenue Deficiency - Labrador Industrial[4] | To be determined | Y | Rider | Proposed | N/A | N/A | Return on Rate Base | - | 1,753 | (15) | (248) | **1,490** |
| Revenue Deficiency - Labrador Interconnected Rural[4] | To be determined | Y | TBD | Proposed | N/A | N/A | Return on Rate Base | - | 1,679 | (53) | - | **1,626** |
| **Total Deferred Charges** | | | | | | | | **1,570,668** | **378,505** | **(61,505)** | **(7,134)** | **1,880,534** |
| **Less: Deferred Charges Excluded from Rate Base** | | | | | | | | | | | | |
| Electrification Cost Deferral | | | | | | | | (900) | | | | (945) |
| Power Purchase Expense Recognition | | | | | | | | (1,428,718) | | | | (1,713,434) |
| Muskrat Falls Export Revenue Recognition | | | | | | | | (35,040) | | | | (40,960) |
| **Total Deferred Charges for Rate Base** | | | | | | | | **106,010** | | | | **125,195** |
| Current Year Opening | | | | | | | | 80,610 | | | | 106,010 |
| **Average Deferred Charges for Rate Base** | | | | | | | | **93,310** | | | | **115,603** |

[1] Numbers may not add due to rounding.
[2] The deferred charges balance presentation is consistent with the approach followed in the Annual Return. In the Annual Return, the Supply Cost Variance Deferral Account ("SCVDA"), and Rate Stabilization Plan ("RSP") are not included in deferred charges as they are interest-bearing and excluded from rate base, and they are also presented separately in their own Returns. Similarly, there are capital-related deferred charges (Retirement Asset Pool, Removal Provision and Insurance) that are excluded from Deferred charges because they were approved to be included in capital. These deferred charges are presented in capital Returns in the Annual Return and are included in Capital Assets in the 2026 General Rate Application.
[3] Foreign exchange is included in fuel inventory and recognized upon the consumption of fuel expense which is included the SCVD calculation. The balance of this account is expected to reverse with additions to the account and is not amortized.
[4] Disposition has been proposed within this application.
[5] Board Order No. P.U. 27(2022) approved the recovery of $6.7 million. Hydro requested approval of an additional $7.8 million of costs in its recovery of costs associated with information systems assets application, currently before the Board. Disposition has been proposed within this application.
[6] This deferral represents timing differences in expense recognition and therefore is excluded from rate base, as per Board Order Nos. P.U. 9(2021) and P.U. 33(2021). Recovery from customers has not been proposed.
[7] This deferral represents a timing difference in revenue recognition and is therefore excluded from rate base, as per Board Order Nos. P.U. 33(2021) and P.U. 4(2022). Recovery from customers has not been proposed.
[8] Functionalized as Generation and allocated based on system load factor.
[9] Disposition or transfer is through the SCVDA for Island Interconnected System Customers and through transfer to the respective Revenue Deficiency Deferral Accounts for Labrador customers.
[10] As per Board Order No. P.U. 33(2023), the account shall be increased (reduced) by an interest charge (credit) on the balance in the account at the beginning of the month, at a monthly rate equivalent to the midpoint of the Company's allowed rate of return on rate base.
[11] Cloud Cost Deferral is amortized over a period approved in Hydro's depreciation study for similar software commencing at the in-service date.