

1 Q. **Reference: Volume 1, pages 135-136; Volume 3, pages 676, 680**

2 Explain and quantify the proposed Muskrat Falls PPA Sustaining Capital Deferral Account
3 treatment, including how current sustaining capital payments are removed from immediate
4 supply-cost recovery and replaced with amortization based on composite depreciation rates.
5 Provide continuity schedules for 2024-2035 showing additions, AFUDC, amortization, carrying
6 charges, ending balances, revenue requirement impact, and class allocation, together with the
7 derivation of the 1.42% and 1.71% composite depreciation rates and any sensitivity to
8 alternative amortization periods.

9
10
11 A. In Board of Commissioners of Public Utilities ("Board") Order No. P.U. 33(2021), the Board
12 approved Newfoundland and Labrador Hydro's ("Hydro") proposed Muskrat Falls Power
13 Purchase Agreement ("PPA") Sustaining Capital Deferral Account to be effective on the date
14 upon which Hydro is required to begin payments under the Muskrat Falls PPA. The Muskrat Falls
15 PPA requires Hydro to make operating cost payments, which include sustaining capital
16 contributions as they are incurred for the Muskrat Falls generating assets and the Labrador
17 Transmission Assets ("LTA"). Hydro believes that recognizing sustaining capital costs as required
18 by the Muskrat Falls PPA does not match the timing of the benefit the sustaining capital assets
19 provide. Hydro believes that this approach is inconsistent with intergenerational equity
20 principles and may lead to rate volatility because customers would be required to pay the full
21 amount of sustaining capital investments as they are incurred. Treating these sustaining capital
22 costs more like capital costs and amortizing over the expected useful life allows for matching of
23 the expenditures with the timing of the benefits they provide to customers.

24 Please refer to CA-NLH-199, Attachment 1 for a Muskrat Falls PPA Sustaining Capital Deferral
25 Account continuity schedule for years 2024 to 2030.

26 The Muskrat Falls and LTAs composite depreciation rates were calculated using the Service Lives
27 Estimates provided by Concentric Advisors, Inc. and weighting the service life based on the total

- 1 historic costs¹ in each of the Muskrat Falls Corporation and Labrador Transmission Corporation
- 2 units of property. Please refer to CA-NLH-199, Attachment 2 for the calculation of the Labrador
- 3 Transmission Corporation assets composite depreciation rate and CA-NLH-199, Attachment 3 for
- 4 the calculation of the Muskrat Falls Corporation assets composite depreciation rate.
- 5 No alternative amortization periods have been considered to date.

¹ The historic costs used to calculate the Muskrat Falls and LTAs composite rates are based on actual 2025 historic cost balances as at December 31, 2025.

Muskrat Falls Power Purchase Agreement Sustaining Capital Deferral Balance Continuity Schedule 2024 to 2030¹

<i>(in \$ Thousands)</i>	Sustaining Capital - Muskrat Falls	Sustaining Capital - LTA	Total
Balance, December 31, 2024 - Actuals	757	15,197	15,954
Additions	4,085	3,592	
Interest During Construction	75	85	
Depreciation	-	-	
Balance, December 31, 2025 - Forecast	4,918	18,874	23,791
Additions	3,665	15,265	
Interest During Construction	132	767	
Depreciation	-	-	
Balance, December 31, 2026 - Forecast	8,715	34,906	43,620
Additions	5,396	3,224	
Interest During Construction	328	82	
Depreciation	(124)	(597)	
Balance, December 31, 2027 - Forecast	14,315	37,615	51,930
Additions	1,005	2,793	
Interest During Construction	16	45	
Depreciation	(205)	(653)	
Balance, December 31, 2028 - Forecast	15,132	39,799	54,930
Additions	1,437	1,248	
Interest During Construction	23	20	
Depreciation	(220)	(702)	
Balance, December 31, 2029 - Forecast	16,372	40,364	56,736
Additions	4,630	742	
Interest During Construction	74	12	
Depreciation	(240)	(724)	
Balance, December 31, 2030 - Forecast	20,836	40,394	61,230

¹ Numbers may not add due to rounding.

Calculation of Labrador Transmission Assets Composite Depreciation Rate as at December 31, 2025

Assets Class	Unit of Property	Unit of Property Title	Total Cost	Class	Percentage of Total Asset	Service Life (Years)	Service Life (Rate)	Weighted Average Service Life Rate	Asset Class as Percentage Total Assets	Asset Class Weighted Average Service Life Rate
Transmission Lines	A04	Auxiliary Power Systems	5,731,816		0.59%	25	4.00%	0.02%		
Transmission Lines	B01	Battery & Power Systems	1,678,853		0.17%	25	4.00%	0.01%		
Transmission Lines	B06	Buildings - Metal	68,279,667		7.02%	100	1.00%	0.07%		
Transmission Lines	B08	Buswork & Hardware	4,686,843		0.48%	50	2.00%	0.01%		
Transmission Lines	C04	Cables - Above Ground	25,352,418		2.60%	60	1.67%	0.04%		
Transmission Lines	C09	Circuit Breakers	14,013,392		1.44%	50	2.00%	0.03%		
Transmission Lines	C13	Conductor - Transmission	74,686,278		7.67%	75	1.33%	0.10%		
Transmission Lines	C14	Conductor - Distribution	168,111		0.02%	75	1.33%	0.00%		
Transmission Lines	C15	Control Meter/Relaying	656,320		0.07%	20	5.00%	0.00%		
Transmission Lines	C19	Condition Monitoring	673,970		0.07%	15	6.67%	0.00%		
Transmission Lines	D03	Disconnect Switches	13,788,922		1.42%	50	2.00%	0.03%		
Transmission Lines	F02	Fencing	1,291,833		0.13%	25	4.00%	0.01%		
Transmission Lines	G07	Ground Wire System	39,026,438		4.01%	75	1.33%	0.05%		
Transmission Lines	G08	GIS Equipment	70,008,811		7.19%	50	2.00%	0.14%		
Transmission Lines	G09	Grounding Grid	6,286,544		0.65%	50	2.00%	0.01%		
Transmission Lines	I03	Insulators	8,143,411		0.84%	75	1.33%	0.01%		
Transmission Lines	L04	Lighting Systems	7,096,121		0.73%	25	4.00%	0.03%		
Transmission Lines	L05	Lightning Arrestors	1,350,139		0.14%	50	2.00%	0.00%		
Transmission Lines	O03	Oil/Water Separator	19,171,169		0.20%	50	2.00%	0.00%		
Transmission Lines	P12	Protective Controls&Relay Pan	13,387,299		1.38%	20	5.00%	0.07%		
Transmission Lines	R07	Reactors & Resistors	5,896,524		0.61%	50	2.00%	0.01%		
Transmission Lines	R11	Revenue Metering	427,182		0.04%	20	5.00%	0.00%		
Transmission Lines	R12	Right - of - Ways	71,395,717		7.34%	50	2.00%	0.15%		
Transmission Lines	R13	Roads	1,508,157		0.15%	50	2.00%	0.00%		
Transmission Lines	S15	Structural Supports	19,441,741		2.00%	50	2.00%	0.04%		
Transmission Lines	S20	Switching Systems - L.V.	58,954,744		6.06%	50	2.00%	0.12%		
Transmission Lines	T04	Towers	372,594,520		38.28%	75	1.33%	0.51%		
Transmission Lines	T05	Transformers - Other	81,948,782		8.42%	55	1.82%	0.15%		
Transmission Lines	T06	Transformers - Pad Mount	2,831,236		0.29%	40	2.50%	0.01%		
			973,222,957						98.12%	1.62%

Assets Class	Unit of Property	Unit of Property Title	Total Cost	Class	Percentage of Total Asset	Service Life (Years)	Service Life (Rate)	Weighted Average Service Life Rate	Asset Class as Percentage Total Assets	Asset Class Weighted Average Service Life Rate
Info Systems & Telecom Asset: O01		Office Equipment	50,012		0.93%	20	5.00%	0.05%		
Info Systems & Telecom Asset: R14		Routers & Lan	321,315		5.95%	5	20.00%	1.19%		
Info Systems & Telecom Asset: T01		Telecontrol System	5,027,448		93.12%	20	5.00%	4.66%		
			5,398,775						0.54%	0.03%

Assets Class	Unit of Property	Unit of Property Title	Total Cost	Class	Percentage of Total Asset	Service Life (Years)	Service Life (Rate)	Weighted Average Service Life Rate	Asset Class as Percentage Total Assets	Asset Class Weighted Average Service Life Rate
General Plant	B01	Battery & Power Systems	69,774		0.58%	25	4.00%	0.02%		
General Plant	B05	Buildings - Other	3,565,271		29.63%	50	2.00%	0.59%		
General Plant	C01	Cables - Telecontrol	7,920,765		65.83%	20	5.00%	3.29%		
General Plant	E02	EMS Equipment	7,367		0.06%	25	4.00%	0.00%		
General Plant	M06	Meters - Digital	155,504		1.29%	20	5.00%	0.06%		
General Plant	P11	Printers	1,491		0.01%	5	20.00%	0.00%		
General Plant	T02	Test Equipment	113,270		0.94%	20	5.00%	0.05%		
General Plant	T03	Tools & Equipment	198,722		1.65%	20	5.00%	0.08%		
			12,032,164						1.21%	0.05%

Assets Class	Unit of Property	Unit of Property Title	Total Cost	Class	Percentage of Total Asset	Service Life (Years)	Service Life (Rate)	Weighted Average Service Life Rate	Asset Class as Percentage Total Assets	Asset Class Weighted Average Service Life Rate
Computer Software	C15	Control Meter/Relaying	1,240,094		100%	20	5.00%	5.00%		
			1,240,094						0.13%	0.01%

Total Assets	991,893,991
Overall Composite Rate	1.71% 58.62 Years

Comprehensive Asset Performance Analysis - Q3 2024									
Asset Details		Financial Performance			Operational Metrics			Health & Compliance	
Asset Class	Unit of Property	Unit of Property Title	Total Cost	Class	Percent of Total Asset	Service Life (Years)	(Rate)	Service Life Rate	Assets
Assets Class	A04	Auxiliary Power Systems	260,607,677		4.07%	25	4.00%	0.16%	
	B01	Battery & Power Systems	3,491,662		0.05%	20	4.00%	0.03%	
	C15	Control, Meter/Relaying	41,866,518		0.65%	20	5.00%	0.03%	
	C18	Cranes	24,632,185		0.38%	70	14.3%	0.01%	
	D01	Dams,Dykes, Canals & Tunnels	1,404,141,813		21.92%	100	1.00%	0.22%	
	D05	Draft Tubes	61,495,085		0.96%	100	1.00%	0.01%	
	E01	Elevators	3,139,261		0.05%	40	2.50%	0.00%	
	G02	Gates	111,655,700		1.74%	60	1.67%	0.03%	
	G03	Generators	27,333,884		0.43%	65	1.54%	0.01%	
	G06	Governors	9,926,066		0.15%	45	2.22%	0.00%	
Assets Class	H04	Hoists	55,115,955		0.86%	55	1.82%	0.02%	
	I02	Instrumentation	278,881		0.00%	26	3.85%	0.00%	
	I04	Intake Structures	1,083,509,859		16.91%	100	1.00%	0.17%	
	L07	Lighting Systems	587,316		0.01%	25	4.00%	0.00%	
	M18	Mechanical Excitation	44,623,559		0.70%	40	2.50%	0.02%	
	M18	Mechanical Excitation	14,880,099		0.23%	35	2.86%	0.01%	
	P09	Power Systems	97,102,013		1.52%	30	3.33%	0.05%	
	P10	Powerhouse	1,377,943,699		21.51%	80	1.25%	0.27%	
	P12	Protective Control&Relay Pan	807,989		0.01%	20	5.00%	0.00%	
	R13	Roads	155,455,956		2.43%	50	2.00%	0.05%	
Assets Class	S06	Spillway Structures	1,049,996,317		16.39%	100	1.00%	0.16%	
	S11	Stop Logs	29,319,864		0.46%	65	1.54%	0.01%	
	S20	Switching Systems - LV	4,015,366		0.06%	50	2.00%	0.00%	
	T05	Transformers - Other	68,362,038		1.07%	55	1.82%	0.02%	
	T09	Turbines	465,842,196		7.27%	50	2.00%	0.15%	
	W04	Water Treatment	9,594,533		0.15%	50	2.00%	0.00%	
			6,405,734,490					1.39%	96.67%
								2.00%	2.00%
								2.00%	0.12%
								5.00%	0.03%
Assets Class	C20	Collector Lines	7,997,589		100.00%	50	2.00%	2.00%	0.00%
			7,997,589						
Assets Class	S01	Info Systems & Telecom Assets	31,640		1.53%	20	5.00%	0.08%	
	T01	Info Systems & Telecom Assets	2,039,937		98.47%	20	5.00%	4.92%	
			2,071,577						0.00%
Assets Class	A04	Auxiliary Power Systems	260,351		0.12%	25	4.00%	0.00%	
	B05	Buildings - Other	199,741,040		94.76%	50	2.00%	1.90%	
	B06	Buildings - Metal	2,738,231		1.30%	100	1.00%	0.01%	
	C22	Charger - Charging Station	324,692		0.15%	7	14.29%	0.02%	
	D03	Disconnect Switches	29,813		0.01%	50	2.00%	0.00%	
	F02	Fencing	77,856		0.04%	25	4.00%	0.01%	
	F03	Fire Fighting Equipment	1,020,459		0.48%	45	2.22%	0.01%	
	G02	Gates	216,959		0.10%	60	1.67%	0.00%	
	G03	Land Improvements	225,000		0.11%	50	2.00%	0.00%	
	L04	Lighting Systems	85,540		0.04%	25	4.00%	0.00%	
	M11	Mobile- ATV's & Snowmobiles	37,757		0.02%	7	14.29%	0.00%	
	M12	Mobile-Air Comp, Attach & Boat	172,488		0.08%	20	5.00%	0.00%	
	M14	Mobile-FH/FK/Load/Grd/Mks/Tri	316,335		0.15%	20	5.00%	0.01%	
	O02	Office Furniture	126,856		0.06%	20	5.00%	0.00%	
	P09	Power Systems	24,739		0.01%	30	3.33%	0.00%	
	P11	Printers	9,277		0.00%	5	20.00%	0.00%	
	R13	Roads	40,160		0.02%	5	2.00%	0.00%	
	R14	Routers & Lan	89,776		0.04%	5	20.00%	0.01%	
	S05	Software	45,521		0.02%	10	10.00%	0.00%	
	S12	Storage Pallets & Rackings	742,152		0.35%	30	3.33%	0.01%	
T01	Telecontrol Systems	115,711		0.05%	20	5.00%	0.00%		
T03	Tools & Equipment	1,711,701		0.81%	20	5.00%	0.04%		
V03	Vehicles-1 ton P/U	120,349		0.06%	8	12.50%	0.01%		
V04	Vehicles-3/4 ton & Under	560,616		0.27%	7	14.29%	0.04%		
V05	Vehicles-Broom/Boat/Cranes/C&C	669,531		0.32%	15	6.67%	0.02%		
V06	Vehicles-Cars,Wagons,Vans,SUV	113,401		0.05%	6	16.67%	0.01%		
	Water Supply Systems	1,179,436		0.56%	30	3.33%	0.02%		
		210,795,749					2.13%	3.18%	
Total Assets			6,626,599,405						
Overall Composite Rate			1.42%						
			70.64	Years					