Q. **Reference: Order No. P.U. 33(2021), pages 8, 11; Volume 1, pages 170-171; Schedule D-V (page 239)**

Provide carrying-charge sensitivity analysis for all material deferral and variance accounts using WACC, embedded debt cost, short-term borrowing cost, risk-free rate, and zero carrying charge, showing annual 2027-2035 revenue requirement impacts, total customer cost, class impacts, and ending balances under each assumption.

A. For a listing of Newfoundland and Labrador Hydro's ("Hydro") deferral account balances included in the 2027 Test Year, please refer to Schedule D-V and Hydro's response to CA-NLH-195. Hydro's response to CA-NLH-195 of this proceeding also identifies the applicable financing treatment for each account and the Board of Commissioners of Public Utilities (“Board”) Orders approving the account definitions and associated regulatory treatment.

With the exception of the proposed Long-Term Supply Cost Variance Deferral Account ("SCVDA"), the regulatory treatment of the material deferral and variance account balances included in the 2027 Test Year have previously been approved by the Board. This includes whether the account balance is included in rate base.

For those approved deferral account balances that are included in rate base, financing is recovered through Hydro's approved return on rate base. For the 2027 Test Year, Hydro has proposed a return on rate base of 4.88%. Alternative financing assumptions, such as WACC,[1] embedded debt cost, short-term borrowing cost, risk-free rate, or zero carrying charge, would be inconsistent with the Board-approved regulatory treatment of these accounts.

[1] Weighted Average Cost of Capital (“WACC”).

For material approved deferral account balances that are excluded from rate base, financing costs do not apply. Accordingly, alternative carrying charge assumptions would not impact customer costs, rate impacts, or ending account balances.

As a result, the requested sensitivity analysis is not applicable to the material deferral and variance accounts for which the financing treatment has previously been approved by the Board.

Hydro's proposed financing treatment for the Long-Term SCVDA is discussed in Hydro's Application. As the financing treatment for the Long-Term SCVDA is proposed in this proceeding and has not previously been approved by the Board, any sensitivity analysis related to alternative carrying-charge assumptions would be limited to this account.

For sensitivity analysis associated with the Long-Term SCVDA, please refer to part c) of CA-NLH-191.