Q. **Reference: Volume 1, pages 5.18 to 5.19**

Hydro provides (pages 5.18 to 5.19) a description of its proposals with respect to the Phase Two Hearing Costs Deferral Account and Reliability and Resource Adequacy Study Review Deferral Account, with proposed amortization periods of eight years spanning two regulatory review cycles for both regulatory deferral accounts with $0.8 million of combined amortization proposed for the 2027 Test Year. While understanding Hydro's approach to the eight-year amortization period for these two regulatory deferral accounts being focused on moderating near-term rate impacts to customers - explain if Hydro considered a shorter amortization period of four years (one regulatory review cycle) in recognition of the significant build up in other regulatory deferral accounts such as the Long Term Supply Cost Variance Deferral Account.

A. Newfoundland and Labrador Hydro ("Hydro") considered alternative amortization periods for the Phase Two Hearing Costs Deferral Account and the Reliability and Resource Adequacy Study Review Deferral Account, including shorter periods. Hydro determined that an eight-year amortization period appropriately balances timely cost recovery with rate stability and moderates near-term customer rate impacts. The proposed amortization period was not evaluated in the context of the Long-Term Supply Cost Variance Deferral Account, as that proposed deferral account is intended to capture supply cost variances and is separate from the costs recorded in these regulatory review-related deferral accounts. Supply cost variance balances are typically recovered over a much shorter timeframe, whereas the benefits associated with the Phase Two and Reliability and Resource Adequacy Study review processes extend beyond a single regulatory review cycle, supporting a longer amortization period.