Q. **Reference: Schedule A-V (Volume 2); Volume 3, page 690 (Section A, Item 10.0)**

a) Confirm whether the 2027 Test Year fuel cost forecast includes any allowance for federal carbon-pricing costs (whether under the federal fuel charge, an output-based pricing system, or the federal Clean Electricity Regulations' compliance costs, if and as applicable to Holyrood TGS or any other Hydro-operated fossil-fuel generation) for the Island Interconnected, Labrador Interconnected, or isolated systems.

b) If such costs are included, state the dollar amount embedded in the 2027 Test Year and the forecast methodology and assumptions.

c) Confirm whether any variance between forecast and actual carbon-pricing or Clean Electricity Regulations compliance costs would flow through the existing SCVDA, the proposed LT-SCVDA (and if so, under which of the ten named variance streams), a separate mechanism, or would instead be borne by Hydro without deferral-account protection. If carbon-pricing costs are not currently embedded in the test year, confirm whether Hydro anticipates seeking a new deferral account or rate rider for such costs in a future filing, and on what timeline.

A. **a)** The 2027 Test Year fuel cost forecast does not include an allowance for federal carbon taxes, as Newfoundland and Labrador Hydro ('Hydro") does not directly pay federal carbon tax on any fuel.

b) Please refer to Hydro's response to part a).

c) Please refer to Hydro's response to part a). Hydro does not anticipate seeking a new deferral account or rate rider for carbon-pricing costs at this time. Any carbon pricing costs which are indirectly built into the price of fuel paid by Hydro would be inherently included in Hydro's Supply Cost Variance Deferral Account or Isolated Systems Supply Cost Variance Deferral Account.