

1 Q. **Reference: NP-NLH-079 and Schedule D-II, pages 3 and 4, Issue Topic: Financial Results and**
2 **Forecasts.**

3 Please provide an itemized reconciliation between Hydro's 2027 test year average invested
4 capital and its 2027 test year average rate base.

5
6
7 A. Please refer to NP-NLH-164, Attachment 1 for a reconciliation of Newfoundland and Labrador
8 Hydro's ("Hydro") 2027 Test Year average invested capital (capital structure) to its 2027 Test
9 Year average rate base. The reconciliation reflects balances that are excluded from rate base
10 and therefore do not earn a return based on Hydro's Weighted Average Cost of Capital
11 ("WACC"). The remaining \$14 million difference is primarily attributable to timing and
12 differences between forecast working capital and the working capital allowance reflected in rate
13 base. In addition, in prior periods, work in progress accrued interest during construction based
14 on Hydro's embedded cost of debt and financing charges on the Supply Cost Variance Deferral
15 Account were based on short-term borrowing costs, rather than the WACC applicable to rate
16 base. These differences in financing treatment also contribute to differences between invested
17 capital and rate base.

Newfoundland and Labrador Hydro
Reconciliation of 2027 Test Year Average Invested Capital to 2027 Test Year Average Rate Base
(\$ Millions)

	<u>2026 Forecast</u>	<u>2027 Test Year</u>	<u>Average</u>
Capital Structure	3,226 ¹	3,650 ¹	3,438
Average Rate Base			<u>2,802</u> 636
Reconciling Items:			
Work in Progress	(272) ²	(619) ²	(446)
Average Assets Excluded from Rate Base			(6)
Electrification Cost Deferral	(1) ⁴	(1) ⁴	(1)
Supply Cost Variance Deferral Account	(202) ⁵	(190) ⁶	(196)
Rate Stabilization Plan	(2)	0	<u>(1)</u>
Difference			(14)

¹ Please refer to Schedule D-II of Newfoundland and Labrador Hydro's ("Hydro") 2026 General Rate Application ("GRA"), page 3 of 7, for the 2026 Forecast and 2027 Test Year Capital Structure.

² Please refer to Schedule D-II of Hydro's 2026 GRA, page 4 of 7, for 2027 Test Year Work in Progress.

³ Please refer to Schedule D-II of Hydro's 2026 GRA, page 4 of 7, for Hydro's 2027 Test Year Average Rate Base.

⁴ Please refer to Schedule D-V of Hydro's 2026 GRA, page 1 of 1, for Hydro's 2027 Test Year Electrification Cost Deferral.

⁵ Please refer to NP-NLH-110, Attachment 4, page 1 of 4, for the 2026 Supply Cost Variance Deferral Account ending balance.

⁶ Please refer to NP-NLH-110, Attachment 2, page 1 of 4, for the 2027 Supply Cost Variance Deferral Account ending balance.