WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

March 31, 2025

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Newfoundland Power 2024 Annual Report to the Board

Dear Ms. Galarneau:

Please find enclosed Newfoundland Power Inc.'s ("Newfoundland Power") 2024 Annual Report to the Board, filed pursuant to section 59(2) of the *Public Utilities Act* (Newfoundland and Labrador, hereinafter referred to as the "Act").

The Annual Report is presented as follows:

1) Newfoundland Power's 2024 Annual Returns which includes as Return 1 the Management Discussion and Analysis filed on SEDAR under National Instrument 51-102 – *Continuous Disclosure Obligations* containing the Annual Report of Newfoundland Power to Shareholders together with the Report of the Auditors for the year ended December 31, 2024;

2) Newfoundland Power's System of Accounts prepared in accordance with the *General Instructions* prescribed by the Board for the purposes of subsection 59(2) of the Act;

3) Summary of Revisions related to the System of Accounts (consolidated); and

4) Load Research and Rate Design Update, as requested by the Board in Order No. P.U. 3 (2025).

No significant changes have been made to any of the Annual Returns for 2024.

With respect to the accounts in sections 1 and 7 of the System of Accounts, for 2024, an account was added to record transactions related to the Company's net metering service option (62200). This service option was approved in Order No. P.U. 17 (2017) but the account had not been added to the Company's System of Accounts.

Newfoundland Power Inc.
55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 682-4143 • FAX (709) 737-2974 • **dwright@newfoundlandpower.com**

Other revisions consisted of updating definitions, classifications and minor wording changes to improve the clarity and accuracy of the account descriptions.

The Affidavit of Paige London, CPA, is also enclosed in the usual manner. Should you have any questions, please contact the undersigned.

Yours truly,

Doug Wright

Douglas Wright
Senior Legal Counsel

Enclosures

ec. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, K.C.
Browne Fitzgerald Morgan & Avis

IN THE MATTER OF the 2024 Annual Report of Newfoundland Power Inc. filed pursuant to section 59(2) of the *Public Utilities Act*.

AFFIDAVIT

I, Paige London, CPA, of the City of St. John's, in the Province of Newfoundland and Labrador, make oath and say as follows:

1. That I am Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc.;

2. That I have read and understood the 2024 Annual Report of Newfoundland Power Inc., filed with the Board of Commissioners of Public Utilities pursuant to section 59(2) of the *Public Utilities Act* (the "Filing"); and

3. That to the best of my knowledge, information and belief, the information contained in the Filing is accurate.

SWORN TO at the City of St. John's, in the Province of Newfoundland and Labrador on this 31st day of March, 2025 before me:

Doug Wright

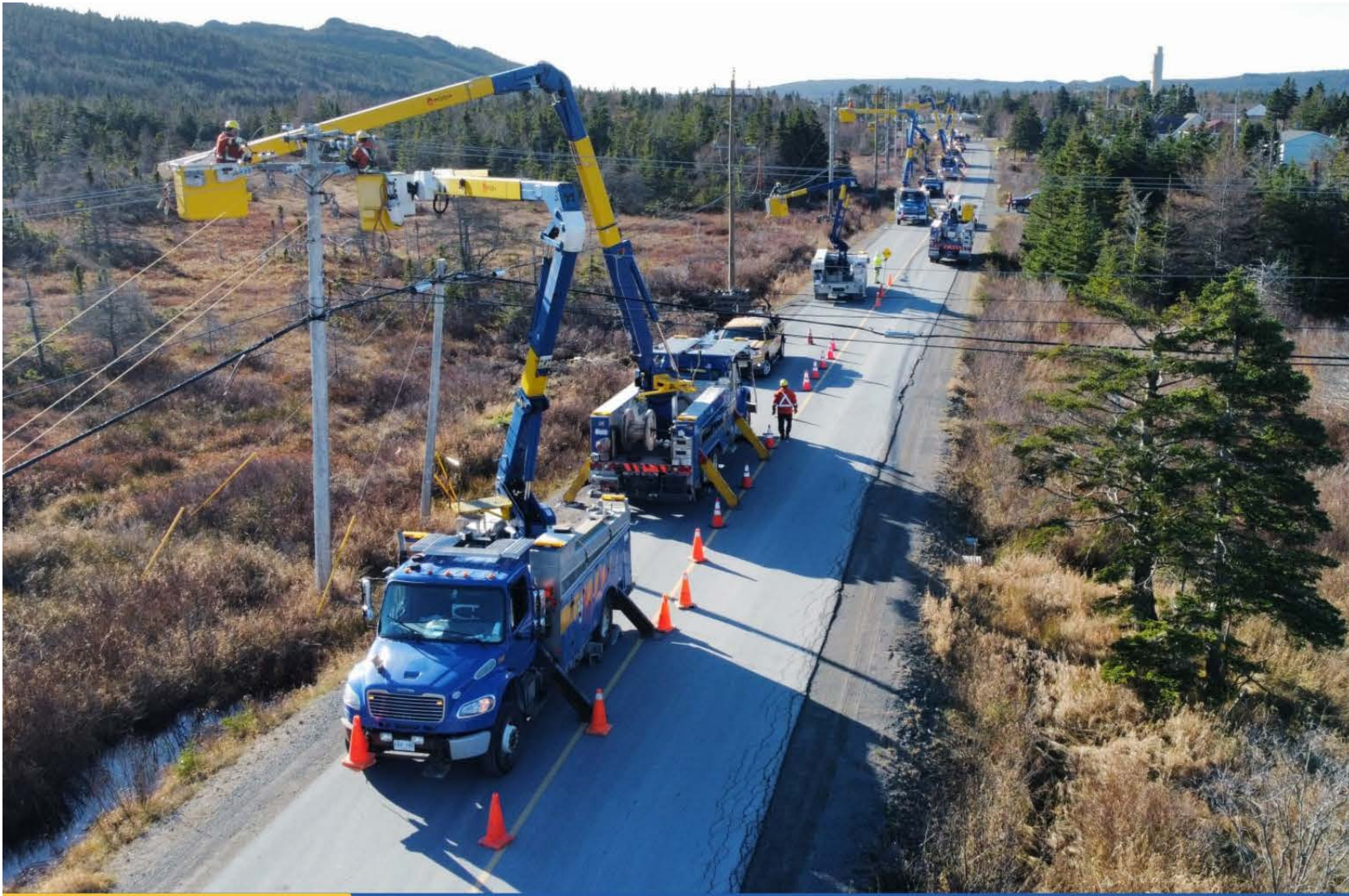
Douglas Wright
Barrister and Solicitor

Paige London, CPA

NEWFOUNDLAND POWER INC.

2024 Annual Returns

March 31, 2025



2024 Management Discussion & Analysis

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND POWER
A FORTIS COMPANY

MANAGEMENT DISCUSSION AND ANALYSIS

Dated February 13, 2025

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the Company's annual audited financial statements and notes thereto for the year ended December 31, 2024. This MD&A has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. Financial information for 2024 and comparative periods contained herein reflects Canadian dollars and accounting principles generally accepted in the United States ("U.S. GAAP").

FORWARD-LOOKING INFORMATION

Certain information in this MD&A is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information reflects expectations of Newfoundland Power management regarding future growth, results of operations, performance and opportunities. Wherever possible, words such as "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "should", "will", "would" and the negative of these terms and other similar terminology have been used to identify forward-looking information.

The forward-looking information in this MD&A includes, but is not limited to, statements regarding: the expectation that there will be no material changes in annual cash flow or financing dynamics; the expectation that sufficient cash will be generated from operations to meet pension funding requirements; the expectation that the Company will maintain investment grade credit ratings in 2025; the expectation that upcoming accounting standards updates will not have a material impact on the Company's financial statements; the expectation that growth in the Company's number of customers will be modest; the expectation that trends in future sales are expected to be comparable with recent years; and the expectation that future earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

The forecasts and projections that make up the forward-looking information are based on assumptions, which include, but are not limited to: receipt of applicable regulatory approvals; continued electricity demand; no significant operational disruptions or environmental liability due to severe weather or other acts of nature; no significant decline in capital spending; sufficient liquidity and capital resources; the continuation of regulator-approved mechanisms that permit recovery of costs; no significant variability in interest rates; no significant changes in government energy plans or environmental laws; the ability to obtain and maintain insurance coverage, licenses and permits; the ability to renew collective bargaining agreements on acceptable terms; and sufficient human resources to deliver service and execute the capital program.

A number of factors could cause actual results to differ materially from the results discussed or implied in the forward-looking information. These factors should be considered carefully and undue reliance should not be placed on the forward-looking information. Risk factors which could cause results or events to differ from current expectations are detailed under the heading "Business Risk Management" in this MD&A, and in other continuous disclosure materials filed from time to time with Canadian securities regulatory authorities. These risk factors include, but are not limited to: regulation; energy supply; purchased power costs; economic conditions; health and safety; cybersecurity; climate change and weather; environment; capital resources and liquidity; interest rates; labour relations; political environment; human resources; operating and maintenance; information technology infrastructure; insurance; defined benefit pension plan performance; legal, administrative and other proceedings; and continued reporting in accordance with U.S. GAAP.

All forward-looking information in this MD&A is given as of the date of this MD&A and, except as required by law, the Company undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise.

OVERVIEW

The Company

Newfoundland Power is a regulated electricity utility that owns and operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company is a wholly owned subsidiary of Fortis Inc. ("Fortis"). Fortis is a well-diversified leader in the North American regulated electric and gas utility industry, serving customers across Canada and in the United States and the Caribbean.

Newfoundland Power's primary business is electricity distribution. It generates approximately 7% of its electricity needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro"). Newfoundland Power serves approximately 277,000 customers, comprising approximately 87% of all electricity consumers in the Province.

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe, reliable electricity to customers at the lowest reasonable cost, and conduct business in a sustainable manner.

Regulation

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled an opportunity to recover, through customer rates, all reasonable costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service.

As authorized by the PUB, Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity. The Company's cost of capital for ratemaking purposes through 2024 is based upon an 8.5% return on equity.

On June 12, 2024, the Company filed an application with the PUB proposing a 9.3% increase in customer electricity rates effective July 1, 2024. This was the result of: (i) a 7.0% increase due to the Company's RSA, largely reflecting additional power supply costs incurred and paid to Hydro in 2023; and (ii) a 2.3% increase from Hydro due to updated wholesale rate adjustments associated with the Government of Newfoundland and Labrador's rate mitigation plan announced in May 2024. On July 10, 2024, the PUB issued an order approving recovery of a portion of the RSA balance that provided for an overall average increase in customer electricity rates of approximately 7.0% effective August 1, 2024. The order directed that the remaining portion of Newfoundland Power's RSA balance as at March 31, 2024 of approximately $18.8 million be maintained in the RSA. The August 1, 2024 customer rate change did not have a material impact on Newfoundland Power's annual earnings.

On October 15, 2024, the PUB issued an order on the Company's 2024 Rate of Return on Rate Base Application (the "2024 RORB Application"). The order approved: (i) a 2024 regulated rate of return on rate base of 6.67%, with a range of ±18 basis points; (ii) a 2024 forecast average rate base of $1,362.8 million; (iii) deferred cost recovery of a 2024 revenue shortfall of $9.0 million, with transfer of the amount to the Company's Rate Stabilization Account ("RSA") on December 31, 2024; and (iv) transfer of the balance in the Company's Excess Earnings Account as of December 31, 2023 of $5.4 million to the RSA on December 31, 2024. The impact of the order was recognized in the fourth quarter of 2024.

On December 13, 2024, the PUB issued an order approving $128.0 million in capital expenditures for 2025. Approximately 50% of the capital expenditures relate to maintenance of the electricity system.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reach in relation to its 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through impacts associated with the revised wholesale rate from Hydro and the annual July 1st RSA. Customer rate impacts effective July 1, 2025 will be determined following the PUB's review of the Company's compliance application. The Company is required to file its next general rate application on or before June 1, 2027.

Financial Highlights

	2024	2023	Change
Electricity Sales *(gigawatt hours ("GWh"))*[1]	5,926.2	5,927.9	(1.7)
Earnings Applicable to Common Shares			
$ Millions	50.6	46.0	4.6
$ Per Share	4.90	4.46	0.44
Cash Flow from Operating Activities *($millions)*	102.7	63.8	38.9
Total Assets *($millions)*	2,108.5	1,994.9	113.6

[1] *Reflects normalized electricity sales.*

Electricity sales for 2024 were comparable to 2023, reflecting customer growth of 0.7% offset by a 0.7% lower average consumption by residential and commercial customers.

Earnings increased by $4.6 million, from $46.0 million in 2023 to $50.6 million in 2024. The increase in earnings primarily reflects rate base growth and the impact of the 2024 RORB order and higher other revenue, partially offset by higher depreciation and an increase in finance charges and operating expenses.

Cash from operating activities increased by $38.9 million compared to 2023. The increase primarily reflects changes in working capital, partially offset by an increase in current income taxes.

Total assets increased by $113.6 million compared to December 31, 2023. The increase primarily reflects continued investment in the electricity system and an increase in regulatory assets associated with PUB-approved regulatory mechanisms.

RESULTS OF OPERATIONS

Revenue

($millions)	**2024**	**2023**	**Change**
Electricity Revenue[1]	770.3	759.5	10.8
Other Revenue[2]	18.6	14.4	4.2
Total Revenue	788.9	773.9	15.0

[1] *Electricity revenue includes regulatory deferrals and amortizations recognized pursuant to PUB orders of approximately $39.7 million for 2024 (2023 - $28.4 million). The amounts are recorded in accordance with PUB orders and are described in Note 7 to the Company's 2024 annual audited financial statements.*

[2] *Other revenue includes revenue from telecommunication companies, interest revenue associated with customer accounts and other miscellaneous amounts.*

Electricity revenue increased by $10.8 million compared to 2023. The increase primarily reflects changes in regulatory deferrals and amortizations.

Regulatory deferrals and amortizations include the energy supply cost variance, revenue shortfall for 2024, pension expense variance deferral ("PEVDA"), other post-employment benefits ("OPEB") cost variance deferral, the amortization of annual customer energy conservation program costs and excess earnings for 2023. These regulatory mechanisms are described in Note 7 to the Company's 2024 annual audited financial statements.

Other revenue increased by $4.2 million compared to 2023. The increase primarily reflects higher interest on the Company's RSA balance and higher revenue from telecommunications companies, partially offset by lower revenue from third-party provisioning services.

Purchased Power: Purchased power expense for 2024 was $1.8 million lower than 2023. The decrease primarily reflects changes in production at the Company's hydroelectric generating facilities and lower electricity system losses.

Operating Expenses: Operating expenses for 2024 were $4.8 million higher than 2023. The increase was primarily due to higher contract expenses associated with services provided to telecommunications companies, inflationary increases in labour costs and higher computer equipment and software costs.

Employee Future Benefits: Employee future benefits for 2024 were $2.5 million lower than 2023. The decrease was primarily due to lower interest costs and amortization of a higher net actuarial gain for the Company's OPEB plan resulting from the Company's OPEB actuarial valuation as at December 31, 2023.

Depreciation and Amortization: Depreciation and amortization expense for 2024 was $4.7 million higher than 2023. The increase reflects the Company's continued investment in the electricity system.

Cost Recovery Deferrals, Net: Cost recovery deferrals for 2024 were $0.6 million higher than 2023. The increase primarily reflects the amortization of deferred pension capitalization costs, as approved by the PUB.

Finance Charges: Finance charges for 2024 were $4.0 million higher than 2023. The increase primarily reflects higher interest on long-term debt and the Company's credit facilities.

Income Taxes: Income tax expense for 2024 was $0.7 million higher than 2023. The increase primarily reflects an increase in earnings before tax, partially offset by a lower effective tax rate.

FINANCIAL POSITION

Explanations of the primary causes of significant changes in the Company's balance sheets between December 31, 2023 and December 31, 2024 follow.

($millions)	Increase (Decrease)	Explanation
Regulatory Assets, including Current Portion	31.3	Increase due to operation of the Company's approved regulatory accounts. See Note 7 to the Company's 2024 annual audited financial statements.
Property, Plant and Equipment	66.7	Increase due to investment in the electricity system, in accordance with the 2024 capital expenditure program, partially offset by depreciation and customer contributions in aid of construction.
Defined Benefit Pension Plans	20.3	Increase in funded status due to higher than expected returns on plan assets. See Note 11 to the Company's 2024 annual audited financial statements.
Long-Term Debt, including Current Portion	16.7	Increase primarily reflects borrowings on the Company's committed credit facility required to finance ongoing operating activities and capital expenditures.
Retained Earnings	51.2	Earnings in excess of dividends; retained to finance rate base growth and ongoing operating activities.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of liquidity and capital resources are net funds generated from operations, debt capital markets and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends. A summary of cash flows and cash position for 2024 and 2023 follows.

($millions)	2024	2023	Change
Cash, Beginning of Year	3.1	-	3.1
Operating Activities	102.7	63.8	38.9
Investing Activities	(136.5)	(145.0)	8.5
Financing Activities	30.7	84.3	(53.6)
Cash, End of Year	-	3.1	(3.1)

Operating Activities

Cash from operating activities increased by $38.9 million compared to 2023. The increase primarily reflects changes in working capital, partially offset by an increase in current income taxes.

Investing Activities

Cash used in investing activities decreased by $8.5 million compared to 2023. The decrease primarily reflects lower intangible asset expenditures, partially offset by higher capital asset expenditures and lower contributions from customers.

A summary of 2024 and 2023 capital and intangible asset expenditures follows.

($millions)	2024	2023
Electricity System		
Generation	6.3	8.7
Transmission	13.1	12.2
Substations	22.6	20.2
Distribution	69.8	57.6
Other	19.5	28.1
Intangible Assets	7.7	23.4
Capital and Intangible Asset Expenditures	139.0	150.2

The Company's business is capital intensive. Capital investment is required to ensure safe, reliable electrical system performance and to meet customer growth. All costs considered to be repairs and maintenance are expensed as incurred. Capital investment is also required for information technology systems, general facilities, equipment, and vehicles. Capital expenditures, property, plant and equipment repairs, and maintenance expense can vary from year-to-year depending upon both planned electricity system expenditures and unplanned expenditures arising from weather or other unforeseen events.

Financing Activities

Cash provided by financing activities decreased by $53.6 million compared to 2023. The decrease was primarily due to the issuance of first mortgage sinking fund bonds in the third quarter of 2023, partially offset by higher net borrowings on the Company's credit facility and a capital contribution from Fortis in the fourth quarter of 2024.

The Company has historically generated sufficient annual cash flows from operating activities to service annual interest and sinking fund payments on debt, fund pension obligations, pay dividends and finance a major portion of its annual capital program. Due to the operation of the Company's energy supply cost variance account and the current purchased power rate structure, the Company is financing additional purchased power costs until they are recovered from customers. As at December 31, 2024, additional purchased power costs incurred in 2023 and 2024 total approximately $57.8 million. Recovery from customers of a portion of the 2023 energy supply cost variance began effective August 1, 2024 as a result of the annual operation of the Company's RSA. See the "Regulation" and "Outlook" sections of this MD&A.

Additional financing to fund the annual capital program is primarily obtained through the Company's bank credit facilities. These borrowings are periodically refinanced, along with any maturing bonds, through the issuance of long-term first mortgage sinking fund bonds. The issuance of bonds is subject to prior PUB approval and to a mortgage trust deed requirement that the ratio of (i) annual earnings, before tax and bond interest, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, be two times or higher.

Credit Facilities: The Company's credit facilities are comprised of a $130 million committed revolving term credit facility and a $20 million demand facility as detailed below.

($millions)	2024	2023
Total Credit Facilities	150.0	120.0
Borrowing, Committed Facility	(57.0)	(32.0)
Borrowing, Demand Facility	(4.3)	-
Credit Facilities Available	88.7	88.0

In 2024, the committed credit facility was amended to increase the amount from $100 million to $130 million to meet both short and long-term financing requirements. The amendment also extended the maturity date of the committed credit facility from August 2028 to August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Pensions: As at December 31, 2024, the fair value of the Company's funded defined benefit pension plan assets was $400.9 million compared to $388.2 million as at December 31, 2023. The $12.7 million increase in fair value was primarily due to favourable market conditions in 2024. Details of the plan asset changes are included in Note 11 to the Company's 2024 annual audited financial statements.

The latest actuarial valuation of the Company's defined benefit pension plan for funding purposes was as at December 31, 2022. Based on the most recent actuarial valuation, contributions for current service amounts are estimated to average $1.0 million annually for 2025 and 2026. The Company expects to have sufficient cash generated from operations to meet future pension funding requirements.

Contractual Obligations: Details, as at December 31, 2024, of contractual obligations over the subsequent five years and thereafter, follow.

($millions)	Total	Due Within 1 Year	Due in Years 2 & 3	Due in Years 4 & 5	Due After 5 Years
Credit Facilities (unsecured)	61.3	61.3	-	-	-
First Mortgage Sinking Fund Bonds[1]	739.1	8.5	44.5	50.6	635.5
Interest Obligations on Long-Term Debt	618.2	38.5	71.8	66.4	441.5
Total	1,418.6	108.3	116.3	117.0	1,077.0

[1] *First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company, by a floating charge on all other assets and carry customary covenants.*

Credit Ratings and Capital Structure: To ensure continued access to capital at reasonable cost, the Company endeavors to maintain its investment grade credit ratings. Details of the Company's investment grade bond ratings follow.

	2024		2023	
Rating Agency	**Rating**	**Outlook**	**Rating**	**Outlook**
Moody's Investors Service ("Moody's")	A2	Negative	A2	Stable
Morningstar DBRS ("DBRS")	A	Stable	A	Stable

During the fourth quarter of 2024, DBRS affirmed the Company's existing bond rating and rating outlook.

During the fourth quarter of 2024, Moody's also affirmed the Company's existing bond rating. However, Moody's changed its rating outlook for the Company from stable to negative to reflect delays in cost recovery that have adversely impacted the Company's credit profile and financial metrics.

Newfoundland Power maintains an average annual capital structure of approximately 55% debt and 45% common equity. This capital structure is reflected in customer rates and is consistent with the Company's current investment grade credit ratings.

The Company's capital structure follows.

	2024		2023	
	$millions	**%**	**$millions**	**%**
Total Debt[1]	797.3	55.3	773.2	57.0
Common Equity[2]	643.8	44.7	582.6	43.0
Total	1,441.1	100.0	1,355.8	100.0

[1] *Includes long-term debt, net of deferred financing costs, unamortized credit facility costs and cash. Total also includes bank indebtedness, current portion of long-term debt, credit facility borrowings and related-party borrowings.*
[2] *Includes common shares issued and outstanding, contributed capital and retained earnings.*

On December 30, 2024, the Company received a $10 million capital contribution from Fortis. No shares were issued in exchange for the contributed capital and there are no set repayment terms.

The Company expects to maintain its investment grade credit ratings in 2025.

Capital Stock and Dividends: In both 2024 and 2023, the weighted average number of common shares outstanding was 10,320,270. The Company did not declare or pay common share dividends during 2024, compared to $0.71 per share in 2023. As a result, dividends on common shares for 2024 were $7.3 million lower than 2023. This is consistent with the Company's common share dividend policy to maintain a capital structure composed of approximately 55% debt and 45% common equity.

As of the date of this MD&A, the issued and outstanding capital of the Company consisted of 10,320,270 common shares, all of which were held by Fortis.

RELATED PARTY TRANSACTIONS

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in operating expenses in 2024 were $2.1 million (2023 - $2.2 million).

During 2024, the Company borrowed a short-term demand loan from Fortis at an average interest rate of 5.72%. The maximum amount outstanding in 2024 was $30 million. The loan was fully repaid in 2024. Total finance charges paid to Fortis in 2024 were $0.9 million. There were no related-party borrowings from, or finance charges paid to, Fortis in 2023.

FINANCIAL INSTRUMENTS

The carrying values of financial instruments included in current assets, current liabilities, other assets, and other liabilities approximate their fair value, reflecting their nature, short-term maturity or normal trade credit terms.

The fair value of long-term debt is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability, and therefore, does not include settlement costs.

The carrying and estimated fair values of the Company's long-term debt follow.

	2024		2023	
($millions)	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Long-Term Debt, including Current Portion and Committed Credit Facility	796.1	848.0	779.5	833.2

BUSINESS RISK MANAGEMENT

The following is a summary of the Company's significant business risks.

Regulation: The Company's key business risk is regulation. The Company is subject to normal uncertainties facing entities that operate under cost of service regulation. It is dependent on PUB approval of customer rates that permit a reasonable opportunity to recover, on a timely basis, the estimated costs of providing electricity service, including a fair and reasonable return on rate base. The ability to recover the actual costs of providing service and to earn the approved rate of return depends on achieving the forecasts established in the rate setting process. There is no assurance that rate orders issued by the PUB will permit the Company to recover the estimated costs of providing electricity service on a timely basis. A failure to obtain acceptable rate orders may adversely affect the operations of the Company, the timing of capital projects, and the Company's credit ratings assigned by rating agencies, which may in turn, negatively affect the results of operations and financial position of the Company.

The Company is also dependent on PUB approval of its annual capital budget. Capital expenditures are necessary to provide safe, reliable and least cost service to customers. A failure to obtain approval of its capital budget application may negatively impact operations and the financial position of the Company.

Energy Supply: Newfoundland Power purchases approximately 93% of its electricity requirements from Hydro. In the event that Hydro is unable to supply the Company with wholesale energy deliveries, Newfoundland Power would be unable to meet its customers' requirements.

Energy from Hydro's $13.5 billion Muskrat Falls hydroelectric generation development and associated transmission assets (the "Muskrat Falls project") supplies a significant portion of Hydro's, and in turn Newfoundland Power's, electricity requirements. While it was fully commissioned and released for service in 2023, the reliability of supply from the Muskrat Falls project remains uncertain and is under review by the PUB. In 2024, Hydro indicated that its 490-megawatt Holyrood Thermal Generating Station will remain in service as backup generation to support the Labrador-Island Link ("LIL") until new sources of generation are available. Supply adequacy and reliability of the province's electrical system continues to be under review by the PUB.

Purchased Power Costs: The Government of Newfoundland and Labrador announced the finalization of its rate mitigation plan (the "Rate Mitigation Plan") in May 2024. The Rate Mitigation Plan came into effect on July 1, 2024, and limits annual domestic customer rate increases associated with the Muskrat Falls project and Hydro's operations to 2.25% until 2030. The Rate Mitigation Plan requires a $2 billion investment by Hydro to mitigate customer rates over the next six years. The annual 2.25% customer rate increases stipulated by the Rate Mitigation Plan are largely consistent with the Provincial Government's previously announced plans to mitigate customer rates from the costs of the Muskrat Falls project.

The finalization of the Rate Mitigation Plan provides a level of certainty around customer rate increases due to the Muskrat Falls project and Hydro for a six-year period starting in 2024. However, it does not contemplate rate mitigation or customer rates beyond 2030. As such, the impact of the Muskrat Falls project on customer rates beyond 2030 remains uncertain.

The Rate Mitigation Plan does not include any additional costs associated with extending the life of the Holyrood Thermal Generating Station or the construction of additional backup generating capacity on the island of Newfoundland. These requirements could further increase supply costs and, in turn, increase electricity rates for the Company's customers.

Increases in electricity rates can cause changes in customer electricity consumption, which could negatively impact the Company's sales and, therefore, earnings and cash flows.

Economic Conditions: Economic conditions impact the Company's operations, including electricity sales, supply chain, cost of capital and the performance of the defined benefit pension plan.

Electricity sales are influenced by economic factors such as changes in employment levels, inflation, personal disposable income and housing starts. A downturn in oil prices negatively impacts the Government of Newfoundland and Labrador's fiscal capacity as well as the broader economy. Out-migration in rural areas, as well as declining birth rates and increasing death rates associated with an aging population, also affect sales. An extended decline in economic conditions would be expected to have the effect of reducing demand for energy over time. In addition to the impact of reduced demand, an extended decline in economic conditions could also impair the ability of customers to pay for electricity consumed, thereby affecting the aging and collection of the Company's accounts receivable.

The Company's ability to deliver safe and reliable electricity in a cost-effective manner is dependent on its supply chain and ability to secure materials needed for continued investment in the electricity system. Domestic and global supply chain issues may delay the delivery of goods necessary to support normal operations and continued investment in the electricity system and may also increase the cost of those materials. Any delays and increased costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

For a description of the impact of economic conditions on pensions and cost of capital, see "Interest Rates" on page 10 and "Defined Benefit Pension Plan Performance" on page 11.

Health and Safety: The operations of the Company inherently involve risk to the health and safety of employees, contractors and the public. Personal injury or loss of life could result from failure to implement or observe appropriate health and safety procedures and could give rise to operational, reputational or financial impacts. In addition, failure to comply with health and safety regulations could result in fines, penalties, reputational damage, litigation, increased capital and operating costs or adverse regulatory outcomes. There is no assurance that any costs which might arise would be recoverable through customer rates and, if substantial, unrecovered costs could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

The Company maintains a health and safety management system which complies with International Organization for Standardization ("ISO") standard 45001. Continuing to meet this standard improves the Company's ability to capture and track information related to safe work practices and hazard recognition, and enhances safety management.

Cybersecurity: The Company is exposed to the risk of cybersecurity violations. Unauthorized access to corporate and information technology systems due to hacking, viruses and other causes could result in service disruptions and system failures. Due to the nature of its operations, the Company maintains personal information of customers and employees, which could be exposed in the event of a security breach.

Information technology systems, including those of the Company's third-party service providers, may be vulnerable to unauthorized access or disruption due to cyber and other attacks, including hacking, malware, acts of war or terrorism, and acts of vandalism, among others. Further, geopolitical conflicts may further increase the sophistication, magnitude or frequency of cyberattacks, some of which may be initiated by nation state actors.

Newfoundland Power maintains a Cybersecurity Risk Management Program, which guides the Company's response to managing its cybersecurity risk. Despite implemented security measures and controls to protect corporate and information technology systems and safeguard the confidentiality of customer information, a security breach could occur. This could potentially result in disruption of service and other business operations, property damage, corruption or unavailability or the misappropriation or disclosure of sensitive, confidential and proprietary business information or personal information of customers or employees. These could impact the Company's results if the situation is not resolved in a timely manner, or the financial impacts are not alleviated through insurance policies or through recovery from customers in future rates.

Climate Change and Weather: Climate change may lead to more frequent and intense weather events, changing air temperatures and changing seasonal variations that may impact the Company's service territory. These climate changes may impact the consumption pattern of electricity by the Company's customers, which in turn could have an impact on customer rates. These climate changes may also impact the Company's ability to provide safe, reliable, least-cost electricity to customers.

The physical assets of the Company are exposed to the effects of severe weather conditions and other acts of nature. Although the physical assets are constructed, operated and maintained to withstand severe weather, there is no assurance that they will successfully do so in all circumstances. In the event of a material uninsured loss caused by severe weather conditions or other natural disaster, the Company could apply to the PUB for recovery of those costs. However, there is no assurance that the PUB would approve any such application. Any major damage to the Company's facilities could result in loss of revenue, repair costs and customer claims that are substantial in amount and could result in a material adverse effect on the Company's results of operations, cash flows or financial position.

Weather-related events due to climate change could affect the Company's operations and systems. Responding to changes in weather events could lead to increased costs associated with the strengthening of infrastructure to ensure system reliability and resiliency, which in turn could have an impact on customer rates. An increase in the severity and frequency of weather-related events could impact future operating, maintenance, replacement, expansion and removal costs that will be incurred in the ongoing operation of its business.

The Company may also be adversely impacted by policy decisions, legal risks, technological changes and market changes as governments and customers take action to address climate change. Failure to respond to these transitional risks in an appropriate manner may adversely impact the Company's ability to provide safe, reliable, least-cost electricity to customers, which could cause reputational harm and other negative impacts. The availability of regulatory mechanisms or the ability of the Company to pass related costs on to customers with respect to its climate change response remains uncertain.

Environment: The Company is subject to numerous laws, regulations and guidelines relating to the protection of the environment including those governing the management, transportation and disposal of hazardous substances and other waste materials. Environmental damage and associated costs could potentially arise due to a variety of events, including the impact of severe weather and other natural disasters, climate change, human error or misconduct and equipment failure. Costs arising from environmental protection initiatives, compliance with environmental laws, regulations and guidelines or damages may become material to the Company.

The Company's key environmental hazard relates to risks of contamination of air, soil or water primarily relating to the storage and handling of fuel, the use and disposal of petroleum-based products, including transformer oils containing polychlorinated biphenyls, in the day-to-day operating and maintenance activities, and emissions from the combustion of fuel required in the generation of electricity.

Electricity transmission and distribution facilities have the potential to cause fires as a result of equipment failure, trees falling on a transmission or distribution line or lightning strikes to wooden poles. The Company may be liable for costs and third-party claims if its facilities cause a fire. The Company's facilities are also subject to breakdown or damage from fire, floods or other natural disasters, that may result in lower-than-expected operational efficiency or performance, and service disruption.

The environmental hazards related to hydroelectric generation operations include the creation of artificial water flows that may disrupt natural habitats and the storage of large volumes of water for the purpose of electricity generation.

The Company has established an environmental management system ("EMS") to monitor environmental performance. The Company's EMS is compliant with the ISO 14001:2015 standard. As at December 31, 2024, there were no environmental liabilities recorded in the Company's 2024 annual audited financial statements and there were no material unrecorded environmental liabilities known to management.

Capital Resources and Liquidity: The Company's financial position could be adversely affected if it fails to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. There is no assurance that sufficient capital will continue to be available on acceptable terms to repay existing debt and to fund capital expenditures. The ability to arrange sufficient and cost-effective financing is subject to numerous factors, including the financial position of the Company, conditions in the capital and bank credit markets, credit ratings assigned by rating agencies and general economic conditions.

Credit ratings affect the level of credit risk spreads on new long-term bond issues and on the Company's credit facilities. A decrease in credit ratings could affect access to various sources of capital and increase the Company's financing costs.

The Company has been successful at securing cost-effective capital and expects to have reasonable access to capital in the near to medium term. Further information on the Company's credit facilities, contractual obligations, including long-term debt maturities and repayments, and cash flow requirements is provided in the "Liquidity and Capital Resources" section of this MD&A.

Interest Rates: Global financial market conditions could impact the Company's cost of capital as well as impact timing of future long-term bond issues. Market driven changes in interest rates could cause fluctuations in interest costs associated with the Company's bank credit facilities. The Company periodically refinances its credit facilities in the normal course with fixed-rate first mortgage sinking fund bonds, which compose most of its long-term debt, thereby significantly mitigating exposure to short-term interest rate changes.

Labour Relations: Approximately 53% of the Company's employees are members of the two bargaining units, the Craft unit and the Clerical unit, represented by the International Brotherhood of Electrical Workers labour union (the "IBEW"). A collective agreement between the Company and IBEW for the Clerical bargaining unit was signed in 2023 with an expiry date of December 31, 2026. The Craft bargaining unit collective agreement expired on June 30, 2022. A tentative collective agreement for the Craft bargaining unit was reached between the Company and IBEW in February 2025, subject to ratification by Craft employees.

The *Electrical Power Control Act, 1994* (Newfoundland and Labrador) allows for a retailer of electricity to apply to the PUB for an order determining the number of essential employees who are required to report to work in the event of a labour dispute. As a regulated utility, determining the number of essential employees is necessary to ensure it can continue to provide safe, reliable service to customers in the event of a labour dispute. On January 30, 2025, the PUB issued an order setting the number of Craft employees who are considered essential in the event of a labour dispute.

The inability to renew the collective agreements on acceptable terms could result in increased labour costs, or service interruptions arising from labour disputes that are not provided for in approved rates, which could have a material adverse effect on the results of operations, cash flows and financial position of the Company.

Political Environment: The political environment, at the local, national or global level, may impact energy laws, governmental energy policies or regulatory decisions. Political pressure or intervention to address rising energy prices and customer affordability concerns may impact regulatory decisions, as well as the period over which the Company recovers allowed costs. See "Regulation" described on page 7.

The Company is further exposed to risks associated with international relations and geopolitical events. Political, economic or social instability or events, trade disputes, increased tariffs, changes in laws or the imposition of onerous regulations applicable to existing operations, currency restrictions, and the impacts of changes in political leadership could lead to an increase in commodity prices, impact the availability and cost of energy or generally affect global economic conditions, any of which could have a material adverse effect on the Company's results of operations, cash flows or financial position. See "Economic Conditions" described on page 8 and "Environment" described on page 9.

Human Resources: The ability of the Company to deliver service in a cost-effective manner is dependent on the ability of the Company to attract, develop and retain a skilled workforce as well as to fill strategic positions. The inability to attract, develop and retain a skilled workforce or filling strategic positions could have a material adverse effect on the Company.

Operating and Maintenance: The Company's electricity system requires ongoing maintenance and capital investment to ensure its continued performance, reliability and safety. The failure of the Company to properly execute its capital expenditure programs, maintenance programs or the occurrence of significant unforeseen equipment failures could have a material adverse effect on the Company's results of operations, cash flows and financial position. There is no assurance that any additional maintenance or capital costs will receive regulatory approval for recovery in future customer rates.

Information Technology Infrastructure: The ability of the Company to operate effectively is dependent upon developing and maintaining its information systems and infrastructure that support electricity operations, provide customers with billing information and support the financial and general operating aspects of the business.

The implementation of new information technology systems into the business, including those impacting utility operations and customer billing systems, carries risk that any such system will not operate as expected. Failure to maintain, upgrade, replace or properly implement such new information technology systems could result in increased risk of a cybersecurity incident and have an adverse effect on operational efficiency, revenue or reputation. See "Cybersecurity" described on page 8.

Insurance: The Company maintains a comprehensive insurance program considered appropriate and in accordance with industry practice. Insurance is subject to coverage limits as well as time-sensitive claims discovery and reporting provisions and there is no assurance that the types of liabilities that may be incurred by the Company, including those that may arise relating to environmental matters, will be covered by insurance. There is no assurance that the Company will be able to obtain or maintain adequate insurance in the future at rates considered reasonable or that insurance will continue to be available on terms comparable to those now existing.

Certain of the Company's transmission and distribution assets are not covered under insurance for physical damage, including poles and wires. This is customary in North America as the cost of the coverage is not considered economical. For material uninsured losses, the Company could seek regulatory relief for recovery in customer rates. However, there is no assurance that regulatory relief would be received.

Any major damage to the physical assets of the Company could result in repair costs and customer claims that are substantial in amount and which could have a material adverse effect on the Company's results of operations, cash flows and financial position.

Defined Benefit Pension Plan Performance: The defined benefit pension plan is subject to judgments utilized in the actuarial determination of the projected pension benefit obligation and the related pension expense. The primary assumptions utilized are the expected long-term rate of return on pension plan assets and the discount rate used to value the projected pension benefit obligation. A discussion of the critical accounting estimates associated with pensions is provided in the "Critical Accounting Estimates – Employee Future Benefits" section of this MD&A.

There is also risk associated with measurement uncertainty inherent in the actuarial valuation process as it affects the measurement of pension expense, future funding requirements, and the projected benefit obligation.

Pension benefit obligations and related pension expense can be affected by changes in the global financial and capital markets. There is no assurance that the pension plan assets will earn the expected long-term rate of return in the future. Market-driven changes impacting the performance of the pension plan assets may result in material variations in actual return on pension plan assets from the expected long-term return on the assets. This may cause material changes in future pension funding requirements from current estimates and material changes in future pension expense. Market-driven changes also impact the discount rate, which may result in material variations in future pension funding requirements from current estimates and future pension expense.

Pension risks are mitigated due to the PUB approved PEVDA to deal with the differences between actual defined benefit pension expense and pension expense approved by the PUB for rate-setting purposes. Differences in pension expense arising from variations in assumptions are recovered from or refunded to customers through the Company's RSA. The closure of the defined benefit pension plan in 2004 also mitigates pension risk.

Legal, Administrative and Other Proceedings: Legal, administrative and other proceedings arise in the ordinary course of business and may include environmental claims, employment-related claims, securities-based litigation, contractual disputes, personal injury or property damage claims, actions by regulatory or tax authorities, and other matters. Unfavourable outcomes such as judgments or settlements for monetary or other damages, injunctions, denial or revocation of permits, reputational harm, and other results could have a material adverse effect on the financial position of the Company.

Continued Reporting in Accordance with U.S. GAAP: Newfoundland Power prepares its financial statements in accordance with U.S. GAAP pursuant to an order of the Ontario Securities Commission ("OSC"). The order permits Newfoundland Power to continue to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the first day of the financial year that commences on or following the later of: (a) the effective date prescribed by the International Accounting Standards Board ("IASB") for a mandatory application of a rate-regulated standard; and (b) two years after the IASB publishes the final version of a mandatory rate-regulated standard.

On the expiration of the OSC relief described above, the Company will be required to adopt International Financial Reporting Standards ("IFRS"). Adopting IFRS is a complex and costly process. If regulatory relief is not granted in respect of these costs, they could have a material adverse effect on the Company's results of operations, cash flows and financial position.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies in 2024.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). The following update has been issued by the FASB, but has not yet been adopted by Newfoundland Power. Any ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

Income Statement Expenses
ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. Newfoundland Power is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates and judgments are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they either, as appropriate, become known or included in customer rates. The critical accounting estimates are discussed below.

Depreciation and Amortization: Depreciation and amortization, by their nature, are estimates based primarily on the useful lives of assets. Estimated useful lives are based on current facts and historical information, and take into consideration the anticipated lives of the assets. Newfoundland Power's depreciation methodology, including depreciation and amortization rates, accumulated depreciation and estimated remaining service lives, is subject to a periodic study by external experts. The difference between actual accumulated depreciation and that indicated by the depreciation study is amortized and included in customer rates in a manner prescribed by the PUB.

The most recent depreciation study, based on property, plant and equipment in service as at December 31, 2019, indicated an accumulated depreciation variance of $31.9 million. The PUB ordered that it be amortized as an increase in depreciation expense of property, plant and equipment over the average remaining service life of the related assets.

The estimate of future removal and site restoration costs is based on historical experience and future expected cost trends. The balance of this regulatory liability as at December 31, 2024 was $220.5 million (December 31, 2023 - $208.7 million). The net amount of estimated future removal and site restoration costs provided for and reported in depreciation expense during 2024 was $25.2 million (2023 - $24.0 million).

Capitalized Overhead: Newfoundland Power capitalizes overhead costs which are not directly attributable to specific capital assets, but which relate to the overall capital expenditure program ("general expenses capitalized" or "GEC"). Capitalization reflects estimates of the portions of various general expenses that relate to the overall capital expenditure program in accordance with a methodology ordered by the PUB. GEC is allocated over constructed property, plant and equipment, and amortized over their estimated service lives. In 2024, GEC totalled $4.7 million (2023 - $5.1 million). Changes to the methodology for calculating and allocating general overhead costs to property, plant and equipment could have a material impact on the amounts recorded as operating expenses versus property, plant and equipment. However, any change in the fundamental methodology for the calculation and allocation of GEC would require the approval of the PUB.

Employee Future Benefits: The Company's primary defined benefit pension and OPEB plans are subject to judgments utilized in the actuarial determination of the expense and related obligations. The primary assumptions utilized in determining the pension expense and the projected pension benefit obligation are the discount rate and the expected long-term rate of return on plan assets. The primary assumptions utilized in determining the OPEB expense and the projected OPEB benefit obligation are the discount rate and the health care cost trend rate. All assumptions are assessed and concluded in consultation with the Company's external actuarial advisor.

The discount rate as at December 31, 2024, which is utilized to determine the projected pension benefit obligation and the 2025 pension expense, was 4.7%, compared to the discount rate of 4.6% as at December 31, 2023. The discount rate as at December 31, 2024, utilized to determine the projected OPEB obligation and the 2025 OPEB expense, was 4.7%, compared to the discount rate of 4.6% as at December 31, 2023. Discount rates reflect market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.

The expected long-term rate of return on pension plan assets which is used to estimate the 2025 defined benefit pension expense is 5.50% compared to 5.75% used for the 2024 defined benefit pension expense. The expected long-term rate of return reflects global market conditions and the Company's long-term investment strategy. As in previous years, the Company's actuary provided a range of expected long-term pension asset returns based on its internal modelling. The expected long-term return on pension plan assets of 5.50% falls within this range.

The Company completed its asset mix study in second quarter of 2024. The key focus of the study was around reducing the risk associated with the Company's defined benefit pension plan, driven by the closed status of the plan, the demographics of plan participants and the funded status of the plan. As a result of the study, the allocation of fixed income investments to eliminate longer duration bonds was completed to reduce interest rate risk and pension expense volatility, while maintaining the opportunity to earn a reasonable return on pension plan assets. The updated asset mix was completed in the fourth quarter of 2024.

The health care cost trend rate as at December 31, 2024, which is utilized to determine the projected OPEB benefit obligation and the 2025 OPEB expense, is 4.0%, consistent with December 31, 2023.

The following table provides sensitivity to the changes in the 2024 primary assumptions associated with the Company's primary defined benefit pension and OPEB plans.

	Defined Benefit Pension Plan		**OPEB Plan**	
($millions)	**Pension Expense[1]**	**Benefit Obligation[2]**	**OPEB Expense[1]**	**Benefit Obligation[2]**
Rate of return on plan assets:				
Increase by 1.0%	(4.0)	-	-	-
Decrease by 1.0%	4.0	-	-	-
Discount rate:				
Increase by 1.0%	1.1	(31.8)	(0.4)	(5.3)
Decrease by 1.0%	3.0	37.9	0.5	6.6
Health care cost trend rate:				
Increase by 1.0%	-	-	0.9	4.5
Decrease by 1.0%	-	-	(0.7)	(3.8)

[1] *For the year ended December 31, 2024. The volatility of future pension and OPEB expense has been mitigated by the PUB approved PEVDA and OPEB cost variance deferrals, in which the difference arising from variations in assumptions between actual pension and OPEB expense and pension and OPEB expense approved by the PUB for rate-setting purposes would be recovered from or refunded to customers through the Company's RSA.*

[2] *As at December 31, 2024.*

Other assumptions applied in measuring the defined benefit pension expense and/or the projected pension benefit obligation were the average rate of compensation increase, average remaining service life of the active employee group, and employee and retiree mortality rates. Other assumptions utilized in determining OPEB costs and obligations include the foregoing assumptions, excluding the average rate of compensation increase.

Income Taxes: Deferred income tax assets and liabilities are based upon temporary differences between the accounting and tax basis of existing assets and liabilities, the benefit of income tax reductions or tax losses available to be carried forward and the effects of changes in tax laws. The carrying amounts of assets and liabilities are based upon the amounts recorded in the financial statements and are, therefore, subject to accounting estimates that are inherent to those balances. The timing of the reversal of temporary differences is estimated based upon assumptions of expectations of future results of operations. The composition of deferred income tax assets and liabilities are reasonably likely to change from period to period because of changes in the estimation of these expectations.

Asset Retirement Obligations: The measurement of the fair value of asset retirement obligations ("AROs") requires the Company to make reasonable estimates about the method of settlement and settlement dates associated with legally obligated asset retirement costs. While the Company has AROs for its generation assets and certain distribution and transmission assets, there were no amounts recognized as at December 31, 2024 or 2023.

The nature, amount and timing of AROs for hydroelectric generation assets cannot be reasonably estimated at this time as these assets are expected to effectively operate in perpetuity given their nature. In the event that environmental issues are identified or hydroelectric generation assets are decommissioned, AROs will be recorded at that time provided the costs can be reasonably estimated. It is management's judgment that identified AROs for its remaining assets are immaterial.

Revenue Recognition: The development of the electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses. The estimation process for accrued unbilled electricity consumption will result in adjustments to electricity revenue in the period during which the difference between actual results and those estimated becomes known. As at December 31, 2024, the amount of accrued unbilled revenue recorded in accounts receivable was approximately $30.0 million (December 31, 2023 - $31.8 million).

Contingencies: The Company is subject to various legal proceedings and claims associated with the ordinary course of business operations. It is management's judgment that the amount of liability, if any, from these actions would not have a material adverse effect on the Company's financial position or results of operations.

SELECTED ANNUAL INFORMATION

The following table sets forth annual information for the years ended December 31, 2024, 2023 and 2022. The financial information reflects Canadian dollars and has been prepared in accordance with U.S. GAAP.

($millions, except per share amounts)	2024	2023	2022
Results of Operations:			
Revenue	788.9	773.9	735.7
Net Earnings Applicable to Common Shares	50.6	46.0	45.7
Financial Position:			
Total Assets	2,108.5	1,994.9	1,838.1
Total Long-Term Liabilities	1,261.5	1,254.8	1,142.1
Shareholder's Equity	643.9	582.6	543.9
Per Share Data:			
Earnings Applicable to Common Shares[1]	4.90	4.46	4.42
Common Dividends Declared[1]	-	0.71	2.80

[1] *Basic and fully diluted. Based on the weighted average number of common shares outstanding, which was 10,320,270 common shares in each year.*

For a description of the changes from 2023 to 2024, see "Financial Highlights" on page 2 and "Revenue" on page 3. The increase in revenue from 2022 to 2023 primarily reflects changes in regulatory deferrals and amortizations and higher electricity sales, partially offset by a 1.1% decrease in customer electricity rates as a result of the PUB issued order on the Company's 2022/2023 General Rate Application (the "2022/2023 GRA Order"). The increase in earnings from 2022 to 2023 primarily reflects higher than expected electricity sales and higher revenues associated with the implementation of the 2022/2023 GRA Order effective March 1, 2022. The increase was partially offset by the impact of a regulatory earnings adjustment, higher demand charges from Hydro, higher than expected finance charges and an increase in operating expenses.

The increase in total assets from 2022 to 2023 primarily reflects continued investment in the electricity system and an increase in regulatory assets associated with PUB-approved regulatory mechanisms.

FOURTH QUARTER RESULTS

	2024	2023	Change
Electricity Sales *(GWh)*[1]	1,575.3	1,587.6	(12.3)
Net Earnings Applicable to Common Shares			
$ Millions	23.4	13.4	10.0
$ Per Share	2.26	1.30	0.96
Cash Flow from Operating Activities *($millions)*	41.3	22.9	18.4
Cash Flow used in Investing Activities *($millions)*	(41.9)	(42.7)	0.8
Cash Flow from Financing Activities *($millions)*	0.7	20.4	(19.7)

[1] *Reflects normalized electricity sales.*

Electricity sales for the fourth quarter of 2024 decreased by 12.3 GWh, or approximately 0.8% compared to the fourth quarter of 2023. The decrease primarily reflects 1.5% lower average consumption by residential and commercial customers, partially offset by customer growth of 0.7%.

Earnings for the fourth quarter of 2024 increased by $10.0 million compared to the fourth quarter of 2023. The increase in earnings primarily reflects the timing of recognition of the 2024 RORB order, rate base growth and lower corporate costs, partially offset by higher depreciation, and an increase in finance charges.

Cash from operating activities for the fourth quarter of 2024 increased by $18.4 million compared to the fourth quarter of 2023. The increase primarily reflects changes in the Company's working capital.

Cash used in investing activities for the fourth quarter of 2024 decreased by $0.8 million compared to the fourth quarter of 2023. The decrease primarily reflects lower intangible asset expenditures, partially offset by higher capital asset expenditures and lower contributions from customers.

Cash provided by financing activities for the fourth quarter of 2024 decreased by $19.7 million compared to the fourth quarter of 2023. The decrease was primarily due to lower net borrowings on the Company's credit facility, partially offset by a capital contribution from Fortis.

QUARTERLY RESULTS

The following table sets forth unaudited quarterly information for each of the eight quarters ended March 31, 2023, through December 31, 2024. The quarterly information reflects Canadian dollars and has been obtained from the Company's interim unaudited financial statements which have been prepared in accordance with U.S. GAAP. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

	First Quarter March 31		Second Quarter June 30		Third Quarter September 30		Fourth Quarter December 31	
(unaudited)	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Electricity Sales *(GWh)*[1]	2,052.6	2,021.3	1,356.6	1,373.7	941.7	945.4	1,575.3	1,587.6
Revenue *($millions)*	262.9	255.4	180.1	184.1	129.8	130.8	216.1	203.5
Net Earnings Applicable to Common Shares *($millions)*	7.7	9.3	12.5	14.0	7.1	9.2	23.4	13.4
Earnings per Common Share *($)*[2]	0.75	0.90	1.21	1.36	0.69	0.89	2.26	1.30

[1] *Reflects normalized electricity sales.*
[2] *Basic and fully diluted.*

Seasonality

Sales and Revenue: Quarterly sales and revenue are impacted by the seasonality of electricity sales for heating. As a result, sales and revenue are significantly higher in the first quarter and significantly lower in the third quarter compared to the remaining quarters.

Earnings: In addition to the seasonality of electricity consumption for heating, quarterly earnings are impacted by the purchased power rate structure. The Company pays more, on average, for each kilowatt hour ("kWh") of purchased power in the winter months and less, on average, for each kWh of purchased power in the summer months. Overall, these sales, revenue and cost dynamics are such that earnings are generally lower in the first quarter than the remaining quarters in the year. Effective January 1, 2025, a new purchased power rate structure will be in place for the Company, which may impact the timing of quarterly purchased power costs and earnings compared to 2024.

Trending

Sales and Revenue: Changes in quarterly electricity sales year-over-year reflect fluctuations in average consumption and growth in the number of customers served by the Company. The Company expects growth in the number of customers to be modest. Trends in future sales are expected to be comparable with recent years.

Earnings: Beyond the impact of fluctuations in electricity sales, future quarterly earnings and earnings per share are expected to trend with the return on equity reflected in customer rates and rate base growth.

OUTLOOK

Newfoundland Power's vision is to be a leader among North American electricity utilities in terms of safety, reliability, customer service and efficiency. The key goals of the Company are to operate sound electricity distribution systems, deliver safe, reliable electricity to customers at the lowest reasonable cost, and conduct business in a sustainable manner.

Customer Rates: Customer electricity rates are projected to increase effective July 1, 2025 as a result of the Company's 2025/2026 GRA. Customer electricity rates are also projected to increase on July 1, 2025 as a result of Hydro's operations and the related Rate Mitigation Plan and Newfoundland Power's RSA. Final customer rate impacts will be determined following the PUB's review of the Company's associated compliance application. For more information, refer to the "Regulation" section of this MD&A.

Energy Supply: Newfoundland Power purchases approximately 93% of its electricity requirements from Hydro. In the event that Hydro is unable to supply the Company with wholesale energy deliveries, Newfoundland Power would be unable to meet its customers' requirements.

The Muskrat Falls project supplies a significant portion of Hydro's, and in turn Newfoundland Power's, electricity requirements. While it was fully commissioned and released for service in 2023, the reliability of supply from the Muskrat Falls project remains uncertain and is under review by the PUB. In 2024, Hydro indicated that its 490-megawatt Holyrood Thermal Generating Station will remain in service as backup generation to support the LIL until new sources of generation are available. The PUB's review of Hydro's reliability and resource adequacy is ongoing.

OUTSTANDING SHARES

As at the filing date of this MD&A the Company had issued and outstanding 10,320,270 common shares. The common shares carry voting rights of one vote per share.

CORPORATE INFORMATION

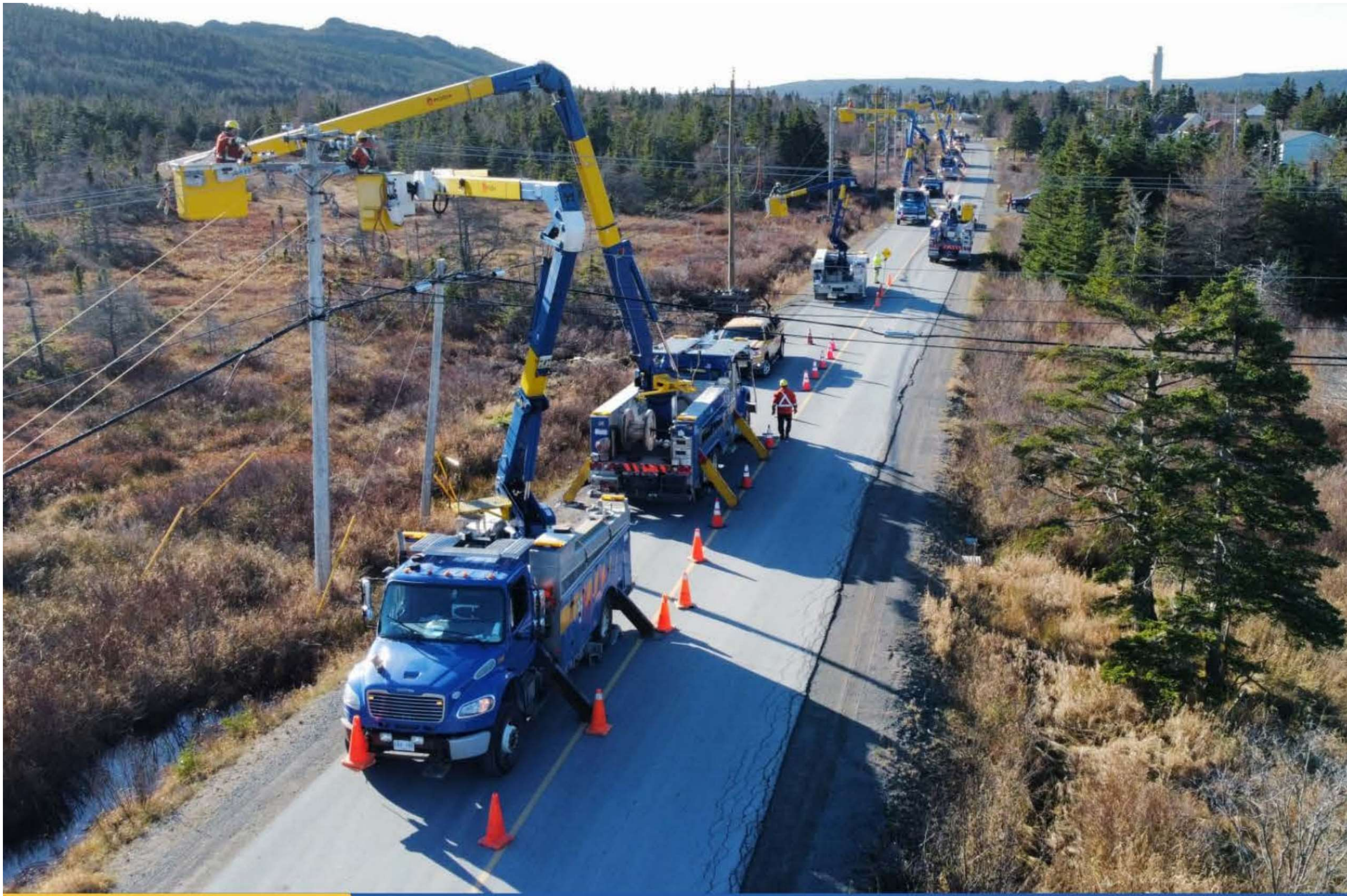
Additional information about Newfoundland Power, including its quarterly and annual financial statements and Annual Information Form, is available on SEDAR+ at www.sedarplus.ca.

The Company is a wholly owned subsidiary of Fortis, a leader in the North American regulated electric and natural gas utility industry. Fortis shares are listed on both the Toronto Stock Exchange and the New York Stock Exchange.

Additional information about Fortis can be accessed at www.fortisinc.com, www.sedarplus.ca, or www.sec.gov.

For further information, contact:

Paige London, Vice President, Finance & CFO
Newfoundland Power Inc.
P.O. Box 8910, St. John's, NL A1B 3P6
Tel: (709) 737-5819
Fax: (709) 737-5300
Email: plondon@newfoundlandpower.com
Website: www.newfoundlandpower.com



Annual Audited Financial Statements
December 31, 2024

WHENEVER. WHEREVER.
We'll be there.

NEWFOUNDLAND
POWER
A FORTIS COMPANY

Independent Auditor's Report

To the Shareholder and the Board of Directors of Newfoundland Power Inc.

Opinion

We have audited the financial statements of Newfoundland Power Inc. (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of earnings, changes in shareholder's equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2024. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Regulatory Assets and Liabilities - Impact of Rate Regulation - Refer to Notes 2 and 7 to the financial statements

Key Audit Matter Description

The Company is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB") which sets electricity base rates charged to ratepayers. Base rates are designed to recover all reasonable and prudent costs of service and include per kilowatt-hour ("KWh") electricity charges and fixed charges. The Company's return on rate base ("RORB") is subject to review through regular General Rate Applications made to the PUB. Accounting for rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; revenues and expenses; and depreciation expense.

We identified the impact of rate regulation as a key audit matter due to the numerous judgments made by management to support its assertions about impacted account balances and disclosures and the potential uncertainties involved in assessing the impact of existing or future regulatory orders on the financial statements. Management judgments include assessing the likelihood of recovery of costs incurred or a refund to customers through the rate-setting process. While the Company has indicated they expect to recover costs from customers through regulated rates, there is a risk that the PUB will not approve full recovery of the costs incurred and a reasonable RORB. Auditing this matter required numerous judgments and specialized knowledge of accounting for rate regulation due to its inherent complexities.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the likelihood of recovery of costs from, or a refund to, customers through the rate-setting process, and included the following:

- Assessing relevant regulatory orders, regulatory statutes, and interpretations as well as procedural memorandums, utility and intervener filings, and other publicly available information to evaluate the likelihood of recovery in existing or future rates or of existing or future reduction in rates and the ability to earn a reasonable RORB.

- For regulatory matters in process, inspecting the Company's filings and intervenor filings for any evidence that might contradict management's assertions. We obtained and evaluated an analysis from management regarding cost recoveries or potential future reduction in rates, as appropriate.
- Evaluating the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tarah Schulz.

/s/ Deloitte LLP

Chartered Professional Accountants
St. John's, Newfoundland and Labrador
February 13, 2025

Statements of Earnings

For the years ended December 31

(in thousands of Canadian dollars, except per share amounts)

	2024	2023
Revenue *(Note 4)*	$ 788,877	$ 773,863
Expenses		
Purchased power	510,184	511,983
Operating expenses	90,570	85,800
Employee future benefits *(Note 11)*	(3,419)	(944)
Depreciation and amortization	87,082	82,407
Cost recovery deferrals, net *(Note 7)*	(242)	(814)
Finance charges	42,036	38,043
	726,211	716,475
Earnings Before Income Taxes	62,666	57,388
Income tax expense *(Note 8)*	12,057	11,392
Net Earnings	50,609	45,996
Net Earnings Applicable to Common Shares	$ 50,609	$ 45,996
Basic and Diluted Earnings per Common Share	$ 4.90	$ 4.46

Statements of Changes in Shareholder's Equity

For the years ended December 31

(in thousands of Canadian dollars, except per share amounts)

	Common Shares	Contributed Capital	Retained Earnings	Total Equity
As at January 1, 2024	$ 70,321	$ -	$ 512,280	**$ 582,601**
Net earnings	-	-	50,609	**50,609**
Allocation of Part VI.1 tax	-	-	636	**636**
Capital contribution *(Note 13)*	-	10,000	-	**10,000**
Dividends on common shares ($0.00 per share)	-	-	-	-
As at December 31, 2024	$ 70,321	$ 10,000	$ 563,525	**$ 643,846**
As at January 1, 2023	$ 70,321	$ -	$ 473,611	**$ 543,932**
Net earnings	-	-	45,996	**45,996**
Dividends on common shares ($0.71 per share)	-	-	(7,327)	**(7,327)**
As at December 31, 2023	$ 70,321	$ -	$ 512,280	**$ 582,601**

See accompanying notes to financial statements.

Balance Sheets
As at December 31
(in thousands of Canadian dollars)

	2024	2023
Assets		
Current assets		
Cash	$ -	$ 3,126
Accounts receivable *(Note 5)*	83,254	82,736
Income taxes receivable	-	3,574
Materials and supplies *(Note 6)*	3,577	3,408
Prepaid expenses	4,655	4,398
Regulatory assets *(Note 7)*	50,619	30,021
	142,105	127,263
Property, plant and equipment (net) *(Note 9)*	1,456,079	1,389,378
Intangible assets (net) *(Note 10)*	67,309	66,182
Defined benefit pension plans *(Note 11)*	67,826	47,509
Regulatory assets *(Note 7)*	373,945	363,263
Other assets	1,216	1,307
	$ 2,108,480	$ 1,994,902
Liabilities and Shareholder's Equity		
Current liabilities		
Short-term borrowings *(Note 12)*	$ 4,277	$ -
Accounts payable and accrued charges	113,340	103,198
Interest payable	8,509	8,534
Income taxes payable	4,814	-
Defined benefit pension plans *(Note 11)*	293	264
Other post-employment benefits *(Note 11)*	2,821	3,035
Regulatory liabilities *(Note 7)*	3,592	1,989
Current instalments of long-term debt *(Note 12)*	65,450	40,450
	203,096	157,470
Regulatory liabilities *(Note 7)*	264,795	256,739
Defined benefit pension plans *(Note 11)*	5,207	5,128
Other post-employment benefits *(Note 11)*	43,263	43,629
Other liabilities	913	945
Deferred income taxes *(Note 8)*	219,670	212,440
Long-term debt *(Note 12)*	727,690	735,950
	1,464,634	1,412,301
Shareholder's equity		
Common shares, no par value, unlimited authorized shares, 10.3 million shares issued and outstanding *(Note 13)*	70,321	70,321
Contributed capital *(Note 13)*	10,000	-
Retained earnings	563,525	512,280
	643,846	582,601
	$ 2,108,480	$ 1,994,902

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

Lynn Healey
Director

Gina Pecore
Director

Statements of Cash Flows

For the years ended December 31

(in thousands of Canadian dollars)

	2024	2023
Operating Activities		
Net earnings	$ 50,609	$ 45,996
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	80,543	76,945
Amortization of intangible assets and other	6,771	5,679
Change in long-term regulatory assets and liabilities	(39,800)	(37,306)
Deferred income taxes *(Note 8)*	(2,570)	14,656
Employee future benefits	(9,125)	(6,361)
Other	10	(909)
Change in working capital *(Note 14)*	16,237	(34,922)
	102,675	63,778
Investing Activities		
Capital expenditures *(Note 14)*	(131,323)	(126,767)
Intangible asset expenditures	(7,666)	(23,422)
Contributions from customers	2,462	5,197
	(136,527)	(144,992)
Financing Activities		
Change in short-term borrowings	4,277	(1,361)
Net borrowings under committed credit facility	25,000	12,000
Proceeds from long-term debt *(Note 12)*	-	90,000
Repayments of long-term debt *(Note 12)*	(8,450)	(8,450)
Capital contribution *(Note 13)*	10,000	-
Payment of debt financing costs	(101)	(522)
Dividends on common shares	-	(7,327)
	30,726	84,340
Change in Cash	(3,126)	3,126
Cash, Beginning of Year	3,126	-
Cash, End of Year	$ -	$ 3,126
Cash Flows Include the Following:		
Interest paid	$ 42,345	$ 37,718
Income taxes paid	$ 9,004	$ 9,660
Income taxes (refunded)	$ (3,422)	$ (10,049)

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2024

Tabular amounts are in thousands of Canadian dollars unless otherwise noted.

1. Description of the Business

Newfoundland Power Inc. (the "Company" or "Newfoundland Power") is a regulated electricity utility that operates an integrated generation, transmission and distribution system throughout the island portion of Newfoundland and Labrador. The Company serves approximately 277,000 customers comprising approximately 87% of all electricity consumers in the Province. All of the common shares of the Company are owned by Fortis Inc. ("Fortis"). Newfoundland Power has an installed generating capacity of 145 megawatts ("MW"), of which approximately 98 MW is hydroelectric generation. The Company generates approximately 7% of its energy needs and purchases the remainder from Newfoundland and Labrador Hydro ("Hydro").

Newfoundland Power is regulated by the Newfoundland and Labrador Board of Commissioners of Public Utilities (the "PUB"). The Company operates under cost of service regulation whereby it is entitled an opportunity to recover, through customer rates, all reasonable costs incurred in providing electricity service to its customers, including a just and reasonable return on its rate base. The rate base is the value of the net assets required to provide electricity service. The determination of the forecast return on rate base, together with the forecast of all reasonable and prudent costs, establishes the revenue requirement upon which the Company's customer rates are determined through a general rate hearing. Rates include generation, transmission and distribution services.

As authorized by the PUB, Newfoundland Power maintains a capital structure comprised of approximately 55% debt and 45% common equity. The Company's cost of capital for ratemaking purposes through 2024 is based upon an 8.5% return on equity.

On June 12, 2024, the Company filed an application with the PUB proposing a 9.3% increase in customer electricity rates effective July 1, 2024. This was the result of: (i) a 7.0% increase due to the Company's Rate Stabilization Account ("RSA"), largely reflecting additional power supply costs incurred and paid to Hydro in 2023; and (ii) a 2.3% increase from Hydro due to updated wholesale rate adjustments associated with the Government of Newfoundland and Labrador's rate mitigation plan announced in May 2024. On July 10, 2024, the PUB issued an order approving recovery of a portion of the RSA balance that provided for an overall average increase in customer electricity rates of approximately 7.0% effective August 1, 2024. The order directed that the remaining portion of Newfoundland Power's RSA balance as at March 31, 2024 of approximately $18.8 million be maintained in the RSA (Note 7(i)).

On October 15, 2024, the PUB issued an order on the Company's 2024 Rate of Return on Rate Base Application (the "2024 RORB Application"). The order approved: (i) a 2024 regulated rate of return on rate base of 6.67%, with a range of ±18 basis points; (ii) a 2024 forecast average rate base of $1,362.8 million; (iii) deferred cost recovery of a 2024 revenue shortfall of $9.0 million, with transfer of the amount to the Company's RSA on December 31, 2024 (Note 7(i)); and (iv) transfer of the balance in the Company's Excess Earnings Account as of December 31, 2023 of $5.4 million to the RSA on December 31, 2024. The impact of the order was recognized in the fourth quarter of 2024.

On December 13, 2024, the PUB issued an order approving $128.0 million in capital expenditures for 2025. All proposed projects and programs were approved as filed. Approximately 50% of the capital expenditures relate to maintenance of the electricity system.

On January 16, 2025, the PUB issued orders approving the Company's and Hydro's applications to establish a new wholesale rate effective January 1, 2025. The order approved: (i) flowing through the impacts of the revised wholesale rate on the Company's 2025 and 2026 test year revenue requirements as part of its 2025/2026 General Rate Application (the "2025/2026 GRA"); and (ii) rebasing power supply costs into base rate test year revenue requirements.

On January 16, 2025, the PUB also issued an order on the Company's 2025/2026 GRA which established the Company's cost of capital for ratemaking purposes for 2025 through 2027 based upon an 8.6% return on equity and 45% common equity. The PUB directed the Company to file a compliance application reflecting the settlement agreements reached in relation to its 2025/2026 GRA, the 2025/2026 GRA order and other applicable orders, including the flow-through impacts associated with the revised wholesale rate from Hydro and the annual July 1st RSA. Customer rate impacts effective July 1, 2025 will be determined following the PUB's review of the Company's compliance application. The Company is required to file its next general rate application on or before June 1, 2027.

2. Summary of Significant Accounting Policies

The significant accounting policies of the Company are as follows.

Basis of Presentation
These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") pursuant to an order of the Ontario Securities Commission ("OSC"). The order permits Newfoundland Power to prepare its financial statements in accordance with U.S. GAAP until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have activities subject to rate regulation; and (iii) the first day of the financial year that commences on or following the later of: (a) the effective date prescribed by the International Accounting Standards Board ("IASB") for a mandatory application of a rate-regulated standard; and (b) two years after the IASB publishes the final version of a mandatory rate-regulated standard.

Revenue Recognition
The majority of the Company's revenue is generated from electricity sales to customers based on published tariff rates, as approved by the PUB. Electricity is metered upon delivery to customers and recognized as revenue using approved rates when consumed. Meters are read periodically and bills are issued to customers based on these readings. At the end of each period, an estimate of electricity consumed but not yet billed is accrued as revenue. The unbilled revenue accrual for each period is based on estimated electricity sales to customers for the period since the last meter reading at the rates approved by the PUB. The development of electricity sales estimates requires analysis of electricity consumption on a historical basis in relation to key inputs such as the current price of electricity, population growth, economic activity, weather conditions and electricity system losses.

Revenue arising from the amortization of certain regulatory assets and liabilities is recognized in the manner prescribed by the PUB (Note 7). Other revenue is recognized when the service is rendered.

Sales Taxes
In the course of its operations, the Company collects municipal taxes and sales taxes from its customers. When customers are billed, a current liability is recognized for municipal taxes included in electricity rates charged to customers and sales taxes included on customers' bills. The liability is settled when the taxes are remitted to the appropriate government authority. The Company's revenue excludes municipal taxes and sales taxes.

Allowance for Credit Losses
The Company records an allowance for credit losses to reduce accounts receivable for amounts estimated to be uncollectible from customers. The allowance is estimated based on historical collection patterns, sales, and current and forecasted economic and other conditions.

Materials and Supplies
Materials and supplies, representing fuel and materials required for maintenance activities, are measured at the lower of average cost and net realizable value.

Regulatory Assets and Liabilities
Regulatory assets and liabilities arise as a result of the rate-setting process. Regulatory assets represent future revenues associated with certain costs incurred in the current or prior periods that will be, or are expected to be, recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that will be, or are expected to be, refunded to customers through the rate-setting process. The accounting methods underlying regulatory assets and liabilities, and their eventual settlement through the rate-setting process, are approved by the PUB and impact the Company's cash flows.

Certain comparative figures within regulatory assets and liabilities have been reclassified to conform to the current year's presentation. Specifically, the changes relate to presenting the employee future benefits regulatory assets and liabilities on a gross versus a net presentation basis. See Note 7 that now aligns with historical presentation in Note 11. The new presentation also has an effect on the composition of the Company's net deferred income tax liability. See Note 8. The change has no impact on net earnings or retained earnings.

Property, Plant and Equipment
Property, plant and equipment are stated at values approved by the PUB as at June 30, 1966, with subsequent additions at cost.

Maintenance and repairs of utility capital assets are charged to expense in the period incurred, while replacements and betterments which extend the useful lives are capitalized.

2. Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

Contributions in aid of construction represent the cost of utility property, plant and equipment contributed by customers and government. These contributions are recorded as a reduction in the cost of utility property, plant and equipment.

The Company capitalizes certain overhead costs not directly attributable to specific property, plant and equipment but which do relate to its overall capital expenditure program ("general expenses capitalized" or "GEC"). The methodology for calculating and allocating GEC among classes of property, plant and equipment is established by a PUB Order. In 2024, GEC totalled $4.7 million (2023 - $5.1 million).

The Company capitalizes an allowance for funds used during construction ("AFUDC"), which represents the cost of debt and equity financing incurred during construction of property, plant and equipment. AFUDC is calculated in a manner prescribed by the PUB based on a capitalization rate that is the Company's weighted average cost of capital. In 2024, the cost of equity financing capitalized as AFUDC and recorded in other revenue was approximately $0.6 million (2023 - $1.2 million). The debt component of AFUDC totalling $0.8 million in 2024 (2023 - $1.5 million) is recorded as a reduction of finance charges.

Property, plant and equipment are depreciated using the straight-line method by applying the depreciation rates approved by the PUB and disclosed below to the average original cost of the related assets, including GEC and AFUDC.

The Company's depreciation methodology, including depreciation rates, accumulated depreciation and estimated remaining service lives, is subject to periodic review by external experts (a "Depreciation Study").

Based on the 2019 Depreciation Study, and as approved by the PUB, the composite depreciation rates for the Company's property, plant and equipment, as well as their service life ranges and average remaining service lives are as follows.

		Service Life (Years)	
	Composite Depreciation Rate (%)	Range	Average Remaining
Distribution	3.1	18-65	29
Transmission and substations	3.1	33-70	28
Generation	2.8	21-80	30
Transportation and communications	8.3	6-30	6
Buildings	2.6	37-80	25
Equipment	10.0	5-25	5

The difference between actual accumulated depreciation and that indicated by a Depreciation Study is treated as a depreciation variance which is used to increase or decrease depreciation expense and is included in customer rates in a manner prescribed by the PUB. The 2019 Depreciation Study, which was based on property, plant and equipment in service as at December 31, 2019, indicated an accumulated depreciation variance of $31.9 million. The PUB ordered that this variance be amortized as an increase in depreciation expense of property, plant and equipment over the average remaining service life of the related assets.

Upon disposition, the original cost of property, plant and equipment is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated depreciation. As a result, any gain or loss is charged to accumulated depreciation and is effectively included in the depreciation variance arising from the next Depreciation Study.

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives using the straight-line method by applying the amortization rates approved by the PUB to the cost of the related assets. The weighted average amortization rates for intangible assets in 2024 were 10.0% for computer software (2023 – 10.0%), 5.56% for the customer information system (2023 – 5.56%) and 1.5% for land rights (2023 – 1.5%).

2. Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Upon disposition, the original cost of the intangible asset is removed from the asset accounts. That amount, net of salvage proceeds, is also removed from accumulated amortization. As a result, any gain or loss is charged to accumulated amortization and is effectively included in the accumulated amortization variance arising from the next Depreciation Study.

Impairment of Long-Lived Assets

The Company reviews the valuation of property, plant and equipment, intangible assets and other long-term assets when events or changes in circumstances indicate that the assets' carrying values exceed the total undiscounted cash flows expected from their use and eventual disposition. An impairment loss, calculated as the difference between the assets' carrying value and their fair values, which is determined using present value techniques, is recognized in earnings in the period in which it is identified. There was no impairment of long-lived assets for the years ended December 31, 2024 or 2023.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. The deferred income tax assets and liabilities are measured using enacted income tax rates and laws that are expected to be in effect when the differences are expected to be recovered or settled. The effect of a change in income tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that the change occurs. Current income tax expense is recognized for the estimated income taxes payable or receivable in the current year

Newfoundland Power recovers current income tax expense in customer rates. The Company is permitted to recover deferred income tax expense by the PUB as follows.

> Effective January 1, 1981, deferred income tax liabilities are recognized and recovered in customer rates on temporary differences associated with the cumulative excess of capital cost allowance over depreciation of property, plant and equipment.
>
> Effective January 1, 1987, the PUB order noted above was modified to exclude GEC from the depreciation of property, plant and equipment.
>
> Effective January 1, 2008, deferred income taxes are recognized and recovered in customer rates on temporary differences between pension expense and pension funding.
>
> Effective January 1, 2011, deferred income taxes are recognized and recovered in customer rates on temporary timing differences between other post-employment benefits ("OPEB") costs recovered using the accrual method and cash payments.
>
> Deferred income taxes associated with the Company's regulatory reserves and certain regulatory deferrals are also recognized and included in the determination of customer rates (Note 7).

Deferred income tax assets and liabilities associated with other temporary differences between the tax basis of assets and liabilities and their carrying amounts are not included in customer rates. These amounts are expected to be recovered from (refunded to) customers through rates when the income taxes actually become payable (recoverable). The Company recognizes these deferred income tax liabilities with an offsetting increase in regulatory assets. The Company's regulatory asset for deferred income taxes as at December 31, 2024 was $261.8 million (2023 - $252.0 million) (Note 7).

The allocation of Part VI.1 tax to Newfoundland Power from Fortis associated with preference share dividends is recognized in retained earnings upon signing the respective agreement.

Tax benefits associated with income tax positions taken, or expected to be taken, in an income tax return are recognized only when the more likely than not recognition threshold is met.

Interest related to unrecognized tax benefits is recognized in finance charges and any associated penalties are recognized in operating expenses.

2. Summary of Significant Accounting Policies (cont'd)

Employee Future Benefits

Newfoundland Power maintains defined contribution and defined benefit pension plans for its employees and also provides an OPEB plan. The OPEB plan is composed of retirement allowances for retiring employees as well as health, medical and life insurance for retirees and their dependants.

Defined Contribution and Defined Benefit Pension Plans

The Company's defined contribution plans are its individual and group registered retirement savings plans. Defined contribution pension plan costs are expensed as incurred.

The Company's defined benefit plans are its funded defined benefit pension plan, an unfunded pension uniformity plan ("PUP"), and an unfunded supplementary employee retirement plan ("SERP"). The funded defined benefit pension plan and the PUP are closed to new entrants.

The net benefit costs and projected benefit obligations of the funded defined benefit pension plan and the PUP are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Discount rates reflect market interest rates on high-quality bonds with cash flows that match the timing and amount of pension payments. The net benefit costs and projected benefit obligations of the SERP are determined based upon employee earnings and years of service. Net benefit costs are also impacted by the amortization of various regulatory assets and liabilities (Note 7 (iv)).

Pension plan assets of the funded defined benefit pension plan are valued at market-related value, where investment returns in excess of or below expected returns are recognized in the asset value over a period of three years. The excess of the cumulative net actuarial gain or loss over 10% of the greater of the benefit obligation and the market-related value of plan assets is amortized over the estimated average remaining service period of active employees.

Other Post-Employment Benefits

The net benefit cost and projected benefit obligation of the OPEB plan are actuarially determined using the projected benefits method pro-rated on service and best estimate of health care costs. Discount rates reflect market interest rates on high-quality bonds with cash flows that match the timing and amount of OPEB payments. Net benefit costs are also impacted by the amortization of various regulatory assets (Note 7 (ii)). The excess of any cumulative net actuarial gain or loss over 10% of the benefit obligation, along with unamortized past service costs is amortized over the estimated average remaining service period of active employees.

Asset Retirement Obligations

The Company is required to record the fair value of future expenditures necessary to settle legal obligations associated with asset retirements even though the timing or method of settlement is conditional on future events. Newfoundland Power has determined that there are asset retirement obligations ("AROs") associated with its hydroelectric generation assets and some parts of its transmission and distribution system.

For hydroelectric generation assets, the legal obligation is the environmental remediation of the land and waterways to protect fish habitat. However, this obligation is conditional on the decision to decommission generation assets. The Company currently has no plans to decommission any of its hydroelectric generation assets as they are effectively operated in perpetuity. Therefore, the nature and fair value of any ARO is not currently determinable.

The legal obligations for the transmission and distribution system pertain to the proper disposal of assets containing oil and polychlorinated biphenyl. Obligations related to other Company facilities consist of the removal of fuel storage tanks and asbestos. These obligations have been determined to be immaterial and therefore no AROs have been recognized.

The Company will recognize AROs and offsetting property, plant and equipment if the nature and timing can reasonably be determined and the amount is material.

Leases

A right-of-use asset and lease liability is recognized for all leases with a term greater than 12 months. The right-of-use asset and liability are both measured at the present value of future lease payments, excluding variable payments that are based on usage or performance.

2. Summary of Significant Accounting Policies (cont'd)

Use of Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates and judgments are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. Additionally, certain estimates are necessary since the regulatory environment in which the Company operates often requires amounts to be recorded at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. Due to changes in facts and circumstances and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they either, as appropriate, become known or included in customer rates.

3. Future Accounting Pronouncements

The Company considers the applicability and impact of all accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board. The following update has been issued by the FASB but has not yet been adopted by Newfoundland Power. Any upcoming ASUs not included below were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on the financial statements.

ASU No. 2024-03, *Disaggregation of Income Statement Expenses*, issued in November 2024, is effective for Newfoundland Power on January 1, 2027 for annual periods and on January 1, 2028 for interim periods, on a prospective basis, with retrospective application and early adoption permitted. The ASU requires disclosure of specified information about certain costs and expenses. Newfoundland Power is assessing the impact that the adoption of this update will have on its financial statements and related disclosures.

4. Revenue

The composition of the Company's revenue follows.

	2024	2023
Electricity revenue		
Residential	$ 469,321	$ 468,774
Commercial	244,874	245,754
Street lighting	16,395	16,536
Regulatory deferrals and amortizations (Note 7)	39,665	28,400
	770,255	759,464
Other contract revenue	11,891	10,650
Other revenue	6,731	3,749
Total revenue	$ 788,877	$ 773,863

Electricity revenue

Electricity revenue includes revenue from the delivery of electricity to residential and commercial customers and the provision of street lighting service to municipalities.

Other contract revenue

Other contract revenue is primarily the result of other contracts with customers including: (i) revenue from telecommunication companies for pole attachments and other pole-related services; (ii) wheeling revenue from Hydro for transmitting electricity to its customers using Newfoundland Power's electrical system; and, (iii) revenue from customers for services other than those directly related to delivery of electricity service.

Other revenue

Other revenue includes interest revenue, the equity portion of AFUDC and other miscellaneous amounts.

5. Accounts Receivable

The timing of revenue recognition, billings and cash collections from contracts with customers results in trade accounts receivable and unbilled accounts receivable. The composition of the Company's accounts receivable follows.

	2024	2023
Trade accounts receivable	$ 56,608	$ 53,729
Unbilled accounts receivable	29,984	31,789
Other	706	1,094
Allowance for credit losses	(4,044)	(3,876)
	$ 83,254	$ 82,736

Accounts receivable is recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2023 and December 31, 2022 follows.

	2024	2023
Balance, beginning of year	$ (3,876)	$ (3,929)
Credit loss expense	(1,802)	(1,971)
Write-offs	2,311	2,711
Recoveries	(677)	(687)
Balance, end of year	$ (4,044)	$ (3,876)

6. Materials and Supplies

	2024	2023
Materials and supplies	$ 2,915	$ 2,721
Fuel in storage	662	687
	$ 3,577	$ 3,408

7. Regulatory Assets and Liabilities

The Company's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods, follow.

	2024	2023	Remaining Recovery Period (Years)
Regulatory assets			
Rate stabilization account (i)	$ 79,787	$ 36,615	Various
OPEB (ii)	3,504	7,008	1
Conservation and demand management deferral (iii)	30,398	29,581	10
Employee future benefits (iv)	40,455	53,917	Benefit payment period
Weather normalization account (v)	-	9,031	N/A
Pension capitalization deferral (vi)	1,711	1,141	4
Cost recovery deferral (vii)	-	328	N/A
Electrification deferral (viii)	2,503	1,953	N/A
Demand management incentive ("DMI") (ix)	2,208	1,398	2
Deferred GRA hearing costs (x)	1,248	-	3
Load research and rate design cost deferral (xii)	908	270	N/A
Deferred income taxes (Note 8)	261,842	252,042	Life of related assets
Total regulatory assets	$ 424,564	$ 393,284	
Less: current portion	(50,619)	(30,021)	
Long-term regulatory assets	$ 373,945	$ 363,263	

7. Regulatory Assets and Liabilities (cont'd)

	2024	2023	Remaining Settlement Period (Years)
Regulatory liabilities			
Weather normalization account (v)	$ 4,137	$ -	2
Employee future benefits (iv)	43,728	44,701	Benefit payment period
Future removal and site restoration provision (xi)	220,522	208,722	Life of related assets
Excess earnings (xiii)	-	5,305	N/A
Total regulatory liabilities	$ 268,387	$ 258,728	
Less: current portion	(3,592)	(1,989)	
Long-term regulatory liabilities	$ 264,795	$ 256,739	

(i) Rate Stabilization Account

On July 1 of each year, customer rates are recalculated in order to recover from or refund to customers, over the subsequent twelve months, the balance in the RSA as of March 31 of the current year. The amount and timing of the recovery or refund is subject to PUB approval.

The RSA passes through, to the Company's customers, amounts primarily related to variances in Hydro's supply costs charged to the Company. Effective July 1, 2022, the RSA also passes through amounts approved for the Muskrat Falls project cost recovery rider to the Company's customers.

The RSA also passes through, to the Company's customers, variations in purchased power expense caused by differences between the actual unit cost of energy and that reflected in customer rates ("Energy Supply Cost Variance"). The marginal cost of purchased power for the Company currently exceeds the average cost that is embedded in customer rates. The amount transferred to the RSA in 2024 for recovery from customers due to the Energy Supply Cost Variance was $28.6 million (2023 - $29.2 million).

The pension expense variance deferral account ("PEVDA") is charged or credited with the amount by which actual pension expense differs from amounts approved in customer rates by the PUB due to variations in assumptions. Each year, at March 31, the balance in the PEVDA is transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. The amount transferred from the PEVDA to the RSA in 2024 for recovery from customers was $0.9 million (2023 - $1.4 million)

The OPEB cost variance deferral account is charged or credited with the amount by which actual OPEB expense differs from amounts approved in customer rates by the PUB due to variations in assumptions. Each year, at March 31, the balance in the OPEB cost variance deferral account is transferred to the Company's RSA and disposed of in accordance with the operation of the RSA. The amount transferred from the OPEB cost variance deferral account to the RSA in 2024 for refund to customers was $3.7 million (2023 - $1.1 million).

The Company's RSA currently maintains an $18.8 million balance as a result of the PUB decision to limit the August 1, 2024 customer rate increase from the Company's RSA to 7.0% (Note 1). The timing of recovery of this balance is subject to a further order from the PUB.

Deferred cost recovery of a 2024 revenue shortfall of $9.0 million was transferred to the Company's RSA on December 31, 2024, as approved by the PUB.

Customer energy conservation program costs and balances in the weather normalization account are also transferred to the RSA (Notes 7 (iii) and (v)).The RSA is also adjusted from time-to-time by other amounts as approved by the PUB, including balances in the DMI and excess earnings accounts (Notes 7(ix) and (xiii)).

(ii) OPEB

This regulatory asset represents the accumulated difference between OPEB expense recognized on a cash basis for regulatory purposes and an accrual basis for financial reporting purposes from 2000 through 2010. Effective January 1, 2011, the PUB ordered the adoption of the accrual method of accounting for OPEB and the $52.6 million regulatory asset be amortized evenly over 15 years.

7. Regulatory Assets and Liabilities (cont'd)

(iii) Conservation and Demand Management Deferral

As ordered by the PUB, annual customer energy conservation program costs are deferred and amortized to operating expenses over the subsequent ten-year period, consistent with the period these costs are recovered from customers. Conservation program costs of $5.7 million were deferred in 2024 (2023 - $6.2 million). The amount transferred to the RSA in 2024 for recovery from customers was $4.8 million (2023 - $4.2 million).

(iv) Employee Future Benefits

Upon transition to U.S. GAAP in 2012, the PUB approved the following with respect to the accounting for employee future benefits.

(a) Opening unamortized balances and future amounts of past service costs and actuarial gains or losses are recorded as a regulatory asset or liability, rather than accumulated other comprehensive income. The amortization of these balances will continue to be included in the calculation of employee future benefit expense. Refer to Note 11 for the composition of employee future benefits regulatory assets and liabilities.

(b) The period over which pension expense had been recognized differed between that used for regulatory purposes and that used for U.S. GAAP. Therefore, the cumulative difference was recorded as a regulatory asset to be recovered from customers in future rates. The PUB ordered that pension expense for regulatory purposes be recognized in accordance with U.S. GAAP effective January 1, 2013 and that the accumulated difference in pension expense to December 31, 2012 of $12.4 million be amortized evenly over 15 years to pension expense.

(v) Weather Normalization Account

The Weather Normalization Account reduces earnings volatility by adjusting purchased power expense and electricity sales revenue to eliminate variances in purchases and sales caused by the difference between normal weather conditions, based on long-term averages and actual weather conditions. The PUB has ordered that balances in the weather normalization account be recovered through the RSA (Note 7 (i)). The amount transferred to the RSA in 2024 for recovery from customers was $9.0 million (2023 - $9.4 million refund to customers).

(vi) Pension Capitalization Deferral

As approved in the 2022/2023 GRA Order, the Company recorded a $1.1 million deferral of forecast revenue requirement increase in 2024 (2023 - $1.4 million). The deferrals are amortized over a five-year period beginning January 1, 2023. Amortization of $0.5 million was recorded in 2024 (2023 - $0.3 million).

(vii) Cost Recovery Deferral

As approved in the 2022/2023 GRA Order, the Company recorded a $0.9 million under-recovery from customers in 2022. The deferral was amortized over a 34-month period from March 1, 2022 to December 31, 2024. Amortization of $0.3 million was recorded in 2024 (2023 - $0.3 million).

(viii) Electrification Deferral

As approved in the 2022/2023 GRA Order, the Company will record costs incurred in implementing Customer Electrification Initiatives in a deferral account. A recovery mechanism for these costs has not yet been approved by the PUB.

(ix) DMI

Through the DMI, variations in the unit cost of purchased power related to demand are limited, at the discretion of the PUB, to 1% of demand costs reflected in customer rates. The disposition of balances in this account to the RSA are determined by orders of the PUB following consideration of the Company's conservation and demand management activities. The amount transferred to the RSA in 2024 for recovery from customers was $1.4 million (2023 – $0.2 million refund to customers).

(x) Deferred GRA Hearing Costs

This represents costs related to the 2025/2026 GRA hearing. The deferral of up to $1.0 million will be amortized to operating expenses over the period of July 1, 2025 to December 31, 2027, as approved by the PUB, with any difference to be transferred to the RSA.

(xi) Future Removal and Site Restoration Provision

This regulatory liability represents amounts collected in customer electricity rates over the life of certain property, plant and equipment which are attributable to removal and site restoration costs that are expected to be incurred in the future. Actual removal and site restoration costs are recorded against the regulatory liability when incurred. The regulatory liability represents the amount of expected future removal and site restoration costs associated with the applicable property, plant and equipment in service as at December 31, calculated using current depreciation rates as approved by the PUB.

7. Regulatory Assets and Liabilities (cont'd)

(xii) Load Research and Rate Design Cost Deferral

As approved in the 2022/2023 GRA Order, the Company will record costs incurred associated with the completion of a Load Research and Rate Design Review in a deferral account. A recovery mechanism for these costs has not yet been approved by the PUB.

(xiii) Excess Earnings

This account represents regulatory earnings for 2023 in excess of the upper limit of the allowed range of return on rate base as determined by the PUB. As approved in the 2024 RORB Order, the balance in the Company's excess earnings account was transferred to the RSA on December 31, 2024 (Note 7(i)).

8. Income Taxes

The composition of the Company's income tax expense follows.

	2024	2023
Current income tax expense	$ 14,627	$ (3,264)
Deferred income tax expense	7,230	23,145
Less: regulatory adjustment	(9,800)	(8,489)
	$ 12,057	$ 11,392

Income taxes differ from the amount that would be determined by applying the enacted combined Canadian federal and provincial statutory income tax rate to earnings before income taxes. A reconciliation of the combined statutory income tax rate to the Company's effective income tax rate follows.

	2024	2023
Earnings before income taxes	$ 62,666	$ 57,388
Statutory tax rate	30.0%	30.0%
Income taxes, at statutory rate	18,800	17,216
Items capitalized for accounting purposes but expensed for income tax purposes	(1,830)	(2,331)
Difference between capital cost allowance and depreciation and amortization expense	(4,103)	(3,896)
Other	(810)	403
Income tax expense	$ 12,057	$ 11,392
Effective income tax rate	19.2%	19.9%

The composition of the Company's net deferred income tax liability follows.

	2024	2023
Deferred income tax liabilities		
Property, plant and equipment	$ 228,571	$ 218,064
Intangible assets	24,440	24,563
Regulatory assets	30,405	39,032
Defined benefit pension plans	25,710	18,057
Total deferred income tax liabilities	$ 309,126	$ 299,716
Deferred income tax assets		
Regulatory liabilities	$ (77,725)	$ (75,255)
OPEB	(10,352)	(10,777)
Other	(1,379)	(1,244)
Total deferred income tax assets	(89,456)	(87,276)
Net deferred income tax liability	$ 219,670	$ 212,440

The net deferred income tax liability includes a gross up to reflect the income tax associated with future revenue required to fund the net deferred income tax liability (Note 7).

8. Income Taxes (cont'd)

As at December 31, 2024, the Company had no material non-capital or capital losses carried forward. As at December 31, 2024, the Company had no material unrecognized tax benefits related to uncertain tax positions.

As at December 31, 2024, the Company's tax years open to examination by taxing authorities include 2017, 2019 and subsequent years.

9. Property, Plant and Equipment

	Cost		Accumulated Depreciation		Net Book Value	
	2024	2023	2024	2023	2024	2023
Distribution	$ 1,238,678	$ 1,184,377	$ (437,903)	$ (419,833)	$ 800,775	$ 764,544
Transmission and substations	516,899	490,508	(140,512)	(133,649)	376,387	356,859
Generation	278,986	278,197	(118,162)	(112,768)	160,824	165,429
Transportation and communications	51,677	51,284	(27,039)	(25,576)	24,638	25,708
Land, buildings and equipment	91,562	88,926	(35,657)	(34,277)	55,905	54,649
Construction in progress	22,274	7,816	-	-	22,274	7,816
Construction materials	15,276	14,373	-	-	15,276	14,373
	$2,215,352	$2,115,481	$ (759,273)	$ (726,103)	$ 1,456,079	$ 1,389,378

Distribution assets are used to distribute low voltage electricity to customers and include poles, towers and fixtures, low voltage wires, transformers, overhead and underground conductors, street lighting, metering equipment and other related equipment. Transmission and substations assets are used to transmit high voltage electricity to distribution assets and include poles, high voltage wires, switching equipment, transformers and other related equipment. Generation assets are used to generate electricity and include hydroelectric and thermal generating stations, gas and combustion turbines, dams, reservoirs and other related equipment. Transportation and communications assets include vehicles as well as telephone, radio and other communications equipment. Land, buildings and equipment are used generally in the provision of electricity service, but not specifically in the distribution, transmission or generation of electricity or specifically related to transportation and communication activities.

10. Intangible Assets

	Cost		Accumulated Amortization		Net Book Value	
	2024	2023	2024	2023	2024	2023
Computer software	$ 81,005	$ 78,463	$ (27,321)	$ (24,002)	$ 53,684	$ 54,461
Land rights	19,458	17,390	(5,833)	(5,669)	13,625	11,721
	$ 100,463	$ 95,853	$ (33,154)	$ (29,671)	$ 67,309	$ 66,182

Amortization expense related to intangibles was $6.5 million for 2024 (2023 - $5.5 million).

11. Employee Future Benefits

The projected benefit obligation for all of the Company's defined benefit plans, and the market-related value of plan assets for the Company's funded defined benefit pension plan, are measured for accounting purposes as at December 31 of each year.

The latest actuarial valuation of the Company's defined benefit pension plan for funding purposes was as of December 31, 2022. The valuation indicated the funded status of the plan as at December 31, 2022 on a going concern and solvency basis. On a going concern basis, the surplus increased from $67.6 million as at December 31, 2019 to $131.0 million as at December 31, 2022. On a solvency basis, the funding position surplus increased from $19.2 million as at December 31, 2019 to $29.2 million as at December 31, 2022 due to a higher estimated discount rate.

The next funding valuation for the defined benefit pension plan is expected to be as of December 31, 2025. The most recent actuarial valuation of the Company's OPEB plan was as at December 31, 2023.

Details of the Company's defined benefit plans follow.

	2024		2023	
	Defined Benefit Pension Plans[1]	OPEB Plan	Defined Benefit Pension Plans[1]	OPEB Plan
Change in projected benefit obligation				
Balance, beginning of year	$ 346,053	$ 46,664	$ 328,995	$ 66,516
Service costs	1,852	1,223	2,492	1,515
Employee contributions	350	-	424	-
Interest costs	15,440	2,077	16,862	3,421
Benefits paid	(21,592)	(2,865)	(20,787)	(3,324)
Actuarial (gain) loss	(3,509)	(1,015)	18,067	(21,464)
Balance, end of year [2]	$ 338,594	$ 46,084	$ 346,053	$ 46,664
Change in fair value of plan assets				
Balance, beginning of year	$ 388,170	$ -	$ 364,079	$ -
Actual return on assets	32,405	-	42,682	-
Benefits paid	(21,592)	(2,865)	(20,787)	(3,324)
Employee contributions	350	-	424	-
Employer contributions	1,587	2,865	1,772	3,324
Balance, end of year	$ 400,920	$ -	$ 388,170	$ -
Funded status, net asset (liability), end of year	$ 62,326	$ (46,084)	$ 42,117	$ (46,664)
Balance Sheet Presentation				
Long-term assets	$ 67,826	$ -	$ 47,509	$ -
Current liabilities	(293)	(2,821)	(264)	(3,035)
Long-term liabilities	(5,207)	(43,263)	(5,128)	(43,629)
	$ 62,326	$ (46,084)	$ 42,117	$ (46,664)

1 *The Company's defined benefit plans include the funded defined benefit pension plan, the PUP and the SERP.*

2 *The accumulated benefit obligation for defined benefit pension plans, which includes no assumption about future salary levels, was $329.7 million at December 31, 2024 (December 31, 2023 - $335.5 million).*

11. **Employee Future Benefits (cont'd)**

Newfoundland Power's net benefit costs for its defined benefit pension and OPEB plans included in regulatory assets and liabilities and yet to be recognized are as follows.

	2024				2023			
	Defined Benefit Pension Plans		**OPEB Plan**		**Defined Benefit Pension Plans**		**OPEB Plan**	
Employee future benefits regulatory asset (liability) (Note 7 (iv))								
Unrecognized actuarial losses (gains)	$	37,982	$	(43,728)	$	50,619	$	(44,701)
Unrecognized transitional obligations		2,473		-		3,298		-
	$	40,455	$	(43,728)	$	53,917	$	(44,701)
OPEB regulatory asset (Note 7 (ii))	$	-	$	3,504	$	-	$	7,008

The change in regulatory assets and liabilities associated with the Company's defined benefit pension and OPEB plans for 2024 and 2023 follow.

	2024				2023			
	Defined Benefit Pension Plans		**OPEB Plan**		**Defined Benefit Pension Plans**		**OPEB Plan**	
Actuarial (gains) losses	$	(12,638)	$	(1,015)	$	28	$	(21,464)
Amortization of OPEB regulatory asset		-		(3,504)		-		(3,504)
Amortization of actuarial gains		-		1,988		-		910
Amortization of pension deferral costs		(824)		-		(824)		-
Total	$	(13,462)	$	(2,531)	$	(796)	$	(24,058)

Significant Assumptions
The following table provides the weighted-average assumptions used to determine benefit obligations for the Company's defined benefit pension and OPEB plans. These rates are used in determining the net benefit costs in the following year.

	2024		2023	
	Defined Benefit Pension Plans	**OPEB Plan**	**Defined Benefit Pension Plans**	**OPEB Plan**
Discount rate (%)	4.70	4.70	4.60	4.60
Rate of compensation increase (%)	3.50	-	3.50	-
Expected long-term rate of return on plan assets (%)[1]	5.50	-	5.75	-
Health care cost trend increase (%)[2]	-	4.00	-	4.00

[1] *Developed by management with assistance from an independent actuary. The best estimates are based on historical performance, future expectations and periodic portfolio rebalancing among the diversified asset classes.*
[2] *The health care cost trend rate at December 31, 2024 is 5.86% for the OPEB plan (2023 – 6.14%). This rate is assumed to decrease to the ultimate health care cost trend rate of 4.0% by 2040.*

11. Employee Future Benefits (cont'd)

Plan Assets

The investment strategy of the Company's funded defined benefit pension plan is to ensure that the pension plan assets, together with expected contributions, are invested in a prudent and cost-effective manner so as to optimally meet the liabilities of the plan for its members.

The investment objective of the pension plan is to maximize return in order to manage the funded status of the plan, and minimize the Company's cost over the long-term, as measured by both cash contributions and pension expense for financial statement purposes.

The Company's funded primary defined benefit pension plan asset allocation is as follows.

Plan assets as at December 31	**2024**		**2023**	
(%)	**Target Allocation**	**Actual[1]**	**Target Allocation**	**Actual[1]**
Canadian equities	10	10	10	10
International equities	30	31	30	31
Fixed income	60	59	60	59
Total	100	100	100	100

[1] *The defined benefit pension plan assets will be rebalanced to target only if actual results are +/- 5% outside of target allocation.*

Newfoundland Power periodically reviews its investment strategy and asset allocation. Based on the review completed in the second quarter of 2024, the allocation of fixed income investments was updated to incorporate a decrease in the overall duration to reduce interest rate risk and pension expense volatility, while maintaining the opportunity to earn a reasonable return on pension plan assets.

Fair Value of Plan Assets

The guidance on fair value measurements emphasizes that plan asset measurement should be based on assumptions that market participants would use to price the plan assets. The Company's funded defined benefit pension plan assets are measured using the market approach valuation technique. The assumptions or inputs to the valuation technique are categorized into three levels. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment.

The fair value measurements for all of the Company's equity and debt securities, as held in various pooled funds, are classified as Level 2 inputs based on the three-level hierarchy that distinguishes the level of pricing observability utilized in measuring fair value. Level 2 includes inputs other than quoted market prices in active markets that are either directly or indirectly observable for the asset or liability.

The fair value of the Company's primary defined benefit pension plan assets are as follows.

	2024	**2023**
Canadian equities	$ 40,792	$ 39,904
International equities	122,814	121,575
Fixed income	237,314	226,691
Total fair value	$ 400,920	$ 388,170

11. Employee Future Benefits (cont'd)

Expected Cash Flows

The estimated future benefit payments for the defined benefit pension and OPEB plans follow.

	Defined Benefit Pension Plans	OPEB Plan
2025	$ 21,475	$ 2,821
2026	22,357	3,089
2027	22,758	3,030
2028	22,963	3,026
2029	23,237	3,004
2030-2034	117,365	15,627

The Company's contributions to the defined benefit pension plans are estimated to be $1.3 million for 2025.

Employee Future Benefits Cost

The Company's employee future benefits cost includes the net benefit costs of its defined benefit, defined contribution and OPEB plans.

The components of net benefit costs associated with the Company's defined benefit pension and OPEB plans, prior to capitalization, are as follows.

	2024		2023	
	Defined Benefit Pension Plans	OPEB Plan	Defined Benefit Pension Plans	OPEB Plan
Service costs	$ 1,838	$ 1,223	$ 2,458	$ 1,515
Interest costs	15,440	2,077	16,862	3,421
Expected return on plan assets	(23,276)	-	(24,643)	-
Amortization of actuarial gains	-	(1,988)	-	(910)
	$ (5,998)	$ 1,312	$ (5,323)	$ 4,026
Regulatory adjustments (Note 7)				
Amortization of pension deferrals	824	-	824	-
Amortization of OPEB regulatory asset	-	3,504	-	3,504
Net benefit cost	$ (5,174)	$ 4,816	$ (4,499)	$ 7,530

During 2024, the Company expensed approximately $3.6 million (2023 - $3.4 million) related to its defined contribution pension plans.

12. Long-term Debt

	Maturity Date	2024	2023
First mortgage sinking fund bonds			
8.900% $40 million Series AH	2026	$ 28,835	$ 29,235
6.800% $50 million Series AI	2028	37,000	37,500
7.520% $75 million Series AJ	2032	58,500	59,250
5.441% $60 million Series AK	2035	48,000	48,600
5.901% $70 million Series AL	2037	57,400	58,100
6.606% $65 million Series AM	2039	54,600	55,250
4.805% $70 million Series AN	2043	62,300	63,000
4.446% $75 million Series AO	2045	67,500	68,250
3.815% $75 million Series AP	2057	69,000	69,750
3.608% $100 million Series AQ	2060	95,000	96,000
4.198% $75 million Series AR	2052	72,750	73,500
5.122% $90 million Series AS	2053	88,200	89,100
Committed credit facility	2029	57,000	32,000
		796,085	779,535
Less: current portion		(65,450)	(40,450)
		$ 730,635	$ 739,085
Less: deferred financing costs		(2,945)	(3,135)
		$ 727,690	$ 735,950

First mortgage sinking fund bonds are secured by a first fixed and specific charge on property, plant and equipment owned or to be acquired by the Company and by a floating charge on all other assets. They require an annual sinking fund payment of 1% of the original principal balance.

Newfoundland Power has unsecured bank credit facilities of $150 million composed of a $130 million committed credit facility and a $20 million demand facility. In 2024, the committed credit facility was amended to increase the amount from $100 million to $130 million to meet both short and long-term financing requirements. The amendment also extended the maturity date from August 2028 to August 2029. Subject to lenders' approval, the Company may request an extension for a further period of up to, but not exceeding, five years.

Borrowings under the committed credit facility are in the form of Canadian Overnight Repo Rate Average ("CORRA") loans that primarily have a maturity of 30 days or less, bearing interest based on the Term CORRA Reference Rate for the days preceding the date of borrowing plus a stamping fee. Standby fees on the unutilized portion of the committed credit facility are payable quarterly in arrears at a fixed rate of 0.16%. Interest on borrowings under the demand facility is calculated at the daily prime rate and is payable monthly in arrears.

The utilized and unutilized credit facilities as at December 31 follow.

	2024	2023
Total credit facilities	$ 150,000	$ 120,000
Borrowings under committed credit facility	(57,000)	(32,000)
Borrowings under demand facility	(4,277)	-
Credit facilities available	$ 88,723	$ 88,000

Deferred financing costs are recorded at cost and are amortized to earnings using the effective interest rate method over the life of the related debt.

12. Long-term Debt (cont'd)

Future payments required to meet sinking fund instalments, maturities of long-term debt and long-term credit facilities follow.

Year	($ thousands)
2025	65,450
2026	36,485
2027	8,050
2028	43,050
2029	7,550
Thereafter	635,500

The issuance of debt with a maturity that exceeds one year requires prior approval of the PUB. The issuance of first mortgage sinking fund bonds is subject to an earnings covenant whereby the ratio of (i) annual earnings applicable to common shares, before bond interest and tax, to (ii) annual bond interest incurred plus annual bond interest to be incurred on the contemplated bond issue, must be two times or higher. Under its committed credit facility, the Company must also ensure that its debt to capitalization ratio does not exceed 0.65:1.00 at any time. During 2024, and as at December 31, 2024, the Company was in compliance with all of its debt covenants.

13. Capital Stock

Authorized

(a) an unlimited number of Class A and Class B Common Shares without nominal or par value. The shares of each class are inter-convertible on a share-for-share basis and rank equally in all respects including dividends. The Board of Directors may provide for the payment, in whole or in part, of any dividends to Class B shareholders by way of a stock dividend; and

(b) an unlimited number of First Preference Shares and Second Preference Shares without nominal or par value. First Preference Shares are entitled to cumulative preferential dividends and are redeemable at the option of the Company at a premium not in excess of the annual dividend rate.

	2024		**2023**	
Issued and outstanding	**Number of Shares**	**Amount**	**Number of Shares**	**Amount**
Class A common shares	10,320,270	$ 70,321	10,320,270	$ 70,321

On December 30, 2024, the Company received a $10 million capital contribution from Fortis. No shares were issued in exchange for the contributed capital and there are no set repayment terms.

14. Change in Working Capital

The composition of the Company's change in working capital follows.

	2024	**2023**
Accounts receivable	$ (369)	$ (12,913)
Income taxes receivable	8,388	(3,182)
Materials and supplies	(169)	(512)
Prepaid expenses	(257)	(660)
Current regulatory assets	824	(16,447)
Accounts payable and accrued charges	4,155	3,921
Interest payable	(25)	1,678
Current regulatory liabilities	3,690	(6,807)
	$ 16,237	$ (34,922)

Non-cash investing activities balances as at December 31 follows.

	2024	**2023**
Capital expenditures included in accounts payable and accrued charges	$ 17,090	$ 11,135

15. Related Party Transactions

The Company provides services to, and receives services from, its parent company, Fortis and other subsidiaries of Fortis. The Company also incurs charges from Fortis for the recovery of general corporate expenses incurred by Fortis. These transactions are in the normal course of business and are recorded at their exchange amounts.

Related party transactions included in operating expenses in 2024 were $2.1 million (2023 - $2.2 million).

During 2024, the Company borrowed a short-term demand loan from Fortis at an average interest rate of 5.72%. The maximum amount outstanding during 2024 was $30 million. The loan was fully repaid in 2024. Total finance charges paid to Fortis in 2024 were $0.9 million. There were no related-party borrowings from, or finance charges paid to, Fortis in 2023.

16. Fair Value Measurement

Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or a liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model, and the risks inherent in the inputs to the model.

The fair value of long-term debt, including current portion and committed credit facility, is classified as Level 2 based on the three level hierarchy utilized in measuring fair value. The fair value is calculated by discounting the future cash flows of each debt instrument at the estimated yield-to-maturity equivalent to benchmark government bonds, with similar terms to maturity, plus a credit risk premium equal to that of issuers of similar credit quality. Since the Company does not intend to settle its debt instruments before maturity, the fair value estimate does not represent an actual liability and, therefore, does not include settlement costs.

The fair value of long-term debt, including current portion and committed credit facility, as at December 31, 2024 and 2023 is as follows.

	2024		2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt, including current portion and committed credit facility (Note 12)	$ 796,085	$ 848,033	$ 779,535	$ 833,225

The fair value of the Company's defined benefit pension plan assets is discussed in Note 11. The fair value of the Company's remaining financial instruments included in current assets, current liabilities, other assets and other liabilities approximate their carrying value, reflecting their nature, short-term maturity or normal trade credit terms.

The fair value of the Company's financial instruments reflects a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet date. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment, and therefore, may not be relevant in predicting the Company's future earnings or cash flows.

17. Segmented Reporting

Newfoundland Power's regulated utility operations constitute its only segment. The Company's chief operating decision maker ("CODM") is the President and Chief Executive Officer. The CODM assesses the Company's performance based on net earnings. Net earnings are reported on the statement of earnings. Total assets, the measure of segment assets, are reported on the balance sheet and capital expenditures are reported on the statement of cash flows.

Newfoundland Power Inc.
Names and Places of Residence of Officers and Directors
as of December 31, 2024

Name	Address	Position Held
Brian Dalton	St. John's, NL	Director
Byron Chubbs	Paradise, NL	Vice President, Engineering and Energy Supply
Wilma Hartmann	St. John's, NL	Director
Lynn Healey	St. John's, NL	Director
Glen King	Fort Erie, ON	Director
Paige London	St. John's, NL	Vice President, Finance and Chief Financial Officer
Joe McKenna	St. John's, NL	Director
Jamie Mullins	Paradise, NL	Vice President, Customer Operations
Gary Murray	St. John’s, NL	President and Chief Executive Officer, Director
Regan O'Dea	St. John's, NL	Director
Gina Pecore	St. John's, NL	Director
Jason Roberts	Suffolk, PE	Director
Mimi Sheriff	St. John's, NL	Director
Diane Whalen	St. John's, NL	Corporate Secretary

Newfoundland Power Inc.
Computation of Average Rate Base
For The Years Ended December 31
($000s)

		2024	2023
1	**Net Plant Investment**		
2	Plant Investment - Return 4	2,403,246	2,311,786
3	Accumulated Depreciation - Return 6	(1,004,688)	(957,928)
4	Contributions in Aid of Construction - Return 7	(47,797)	(47,887)
5		1,350,761	1,305,971
6			
7	**Additions to Rate Base**		
8	Deferred Pension Costs - Return 8	108,293	101,430
9	Credit Facility Costs - Return 8	167	105
10	Cost Recovery Deferral - Conservation - Return 9	21,280	20,708
11	Cost Recovery Deferral - Revenue Shortfall - Return 9	-	229
12	Cost Recovery Deferral - Load Research and Retail Rate Design Review - Return 9	635	189
13	Cost Recovery Deferral - Hearing Costs - Return 9	874	-
14	Cost Recovery Deferral - Pension Capitalization - Return 9	1,198	799
15	Customer Finance Programs - Return 10	1,049	1,199
16		133,496	124,659
17			
18	**Deductions from Rate Base**		
19	Weather Normalization Reserve - Return 17	2,896	(6,321)
20	Demand Management Incentive Account - Return 18	(1,545)	(978)
21	Other Post Employment Benefits - Return 10	86,308	84,357
22	Customer Security Deposits - Return 10	618	653
23	Accrued Pension Obligation - Return 10	5,512	5,397
24	Accumulated Deferred Income Taxes - Return 23	33,287	30,609
25	Refundable Investment Tax Credits - Return 10	294	292
26	Excess Earnings Account - Return 10	-	3,714
27		127,370	117,723
28			
29	**Year End Rate Base**	1,356,887	1,312,907
30			
31	**Average Rate Base Before Allowances**	1,334,897	1,267,997
32			
33	**Rate Base Allowances**		
34	Materials and Supplies Allowance - Return 11	14,743	14,778
35	Cash Working Capital Allowance - Return 12	7,551	7,304
36			
37	**Average Rate Base at Year End**	1,357,191	1,290,079

Newfoundland Power Inc.
Plant Investment
For The Year Ended December 31, 2024
($000s)

		Opening Balance	Adjustments	Additions	Retirements	Year End Balance
1	Power Generation					
2	Hydro	236,565	-	1,548	943	237,170
3	Diesel	4,557	(3)	199	75	4,678
4	Gas Turbine	37,009	3	87	27	37,072
5		278,131	-	1,834	1,045	278,920
6						
7	Substations	316,808	(157)	22,023	4,585	334,089
8	Transmission	198,351	2	12,609	1,433	209,529
9	Distribution	1,276,532	(33)	67,131	10,340	1,333,290
10	General Property	67,108	(40)	2,421	1,269	68,220
11	Transportation	41,946	-	2,777	2,442	42,281
12	Communications	9,421	228	157	327	9,479
13	Computer Software	78,562	-	5,480	3,056	80,986
14	Computer Hardware	11,904	-	3,149	1,622	13,431
15	Government Contributions	23,109	-	-	-	23,109
16		2,023,741	-	115,747	25,074	2,114,414
17						
18	Total Depreciable Plant	2,301,872	-	117,581	26,119	2,393,334
19						
20	Non Depreciable Land	9,914	-	-	2	9,912
21						
22	Plant Investment Included In Rate Base	2,311,786	-	117,581	26,121	2,403,246
23						
24	Construction Work In Progress					22,605
25						
26	Total Plant Investment[1]					2,425,851

[1] A reconciliation of the total plant investment to the plant investment shown in Return 1 follows

	($000s)
2024 Capital Assets shown in Return 1 (Note 9 to Financial Statements)	2,215,352
Add: Contributions in Aid of Construction - Return 7	125,308
Add: Plant Investment classified as Intangibles in Return 1 (Note 10 to Financial Statements)	100,463
Deduct: Inventories included in Plant Investment for financial reporting purposes	(15,272)
2024 Total Plant Investment for Average Rate Base	2,425,851

Newfoundland Power Inc.
Capital Expenditures
For The Year Ended December 31, 2024
($000s)

	Approved By Board[1]	Actual	Variance[2]
Generation			
Hydro	5,329	7,422	2,093
Thermal	311	418	107
	5,640	7,840	2,200
Substations	22,171	23,676	1,505
Transmission	15,064	17,277	2,213
Distribution	54,865	71,138	16,273
General Property	2,340	2,401	61
Transportation	3,806	3,630	(176)
Telecommunications	502	425	(77)
Information Systems	6,180	6,316	136
Unforeseen	750	-	(750)
General Expenses Capitalized	4,500	4,701	201
	115,818	137,404	21,586
Projects carried forward from prior years[3]		8,453	

[1] Approved in Orders No. P.U. 2 (2024) and No. P.U. 14 (2023).

[2] Variance explanations are provided in Newfoundland Power Inc.'s *2024 Capital Expenditure Report.*

[3] The projects carried forward include actual and carryforward expenditures of $1,801,000 for *Substation Spare Transformer Inventory* , $1,682,000 for *Transmission Line 55L Rebuild* , $1,536,000 for *Replace Vehicles and Aerial Devices 2022-2023* , $924,000 for *Customer Service System Replacement* , $418,000 for *Distribution Feeder Automation* , $389,000 for *System Upgrades* , $350,000 for *Mobile Hydro Plant Refurbishment* , $319,000 for *Shared Server Infrastructure* , $235,000 for *Walbournes Substation Refurbishment and Modernization* , $178,000 for *Molloy's Lane Substation Refurbishment and Modernization* , $151,000 for *Replace Vehicles and Aerial Devices 2023-2024* , $130,000 for *Sandy Brook Plant Penstock Replacement* , $124,000 for *Application Enhancements* , $108,000 for *Company Building Renovations* , $62,000 for *Network Infrastructure* and $46,000 for *MUN-T2 Power Transformer Replacement* .

Newfoundland Power Inc.
Accumulated Depreciation
For The Year Ended December 31, 2024
($000s)

1	Opening Balance - January 1, 2024	957,928
2		
3	Add:	
4	Depreciation of Fixed Assets[1, 2]	78,830
5	Amortization of Contributions - Government - Return 7	124
6	Amortization of Contributions - Customers - Return 7	2,427
7	Salvage	850
8		82,231
9		
10		
11	Deduct:	
12	Cost of Removal (net of income tax)	9,350
13	Retirements	26,121
14		35,471
15		
16	Closing Balance - December 31, 2024[3]	1,004,688

[1] The depreciation rates for 2024 are from the 2019 Depreciation Study based on plant in service at December 31, 2019 and approved in Order No. P.U. 3 (2022).

Hydro	2.35%
Diesel	4.73%
Gas Turbine	5.60%
Substations	3.10%
Transmission	3.10%
Distribution	3.09%
General Property	2.99%
Transportation	9.43%
Telecommunications	4.48%
Customer Information System	5.56%
Computer Software	10.00%
Computer Hardware	20.00%

[2] A reconciliation of depreciation of fixed assets to the amount shown in Return 1 follows

Depreciation and amortization shown in Return 1	87,082
Less: Tax on Cost of Removal (recognized as income tax for financial reporting purposes)	(8,252)
2024 Depreciation of Fixed Assets	78,830

[3] The accumulated depreciation shown in Return 1 (Note 9 to the Financial Statements) is before adjustment for contributions in aid of construction, site restoration costs and intangibles.

	($000s)
Accumulated Depreciation shown in Return 1 (Note 9 to Financial Statements)	759,273
Add: Accumulated Amortization classified as Intangibles (Note 10 to Financial Statements)	33,154
Add: Amortization of Contributions - Return 7	77,511
Add: Site Restoration Costs Return 1 (Note 7 to Financial Statements)	220,522
Less: Deferred Income Tax Asset included in Site Restoration Costs	(85,772)
2024 Accumulated Depreciation for Average Rate Base	1,004,688

Newfoundland Power Inc.
Contributions in Aid of Construction
For The Year Ended December 31, 2024
($000s)

		Customers	Government	Total
1	Gross Contributions to January 1, 2024	95,767	27,080	122,847
2				
3	Add: Contributions Received in 2024	2,461	-	2,461
4				
5	Gross Contributions to December 31, 2024	98,228	27,080	125,308
6				
7				
8	Amortizations to January 1, 2024	51,307	23,653	74,960
9				
10	Add: Amortization in 2024	2,427	124	2,551
11				
12	Amortizations to December 31, 2024	53,734	23,777	77,511
13				
14				
15	Unamortized Contributions to December 31, 2024	44,494	3,303	47,797

Newfoundland Power Inc.
Deferred Charges
For The Year Ended December 31, 2024
($000s)

		Balance January 1 2024	Additions During 2024	Reductions During 2024	Balance December 31 2024
1	Deferred Pension Costs[1]	101,430	7,693	830	108,293
2					
3	Deferred Credit Facility Issue Costs[2]	108	101	42	167
4					
5	Deferred Charges	101,538	7,794	872	108,460

[1] The December 31, 2024 balance is comprised of the following amounts:

	($000s)
Defined Benefit Pension asset shown in Return 1 (Balance Sheet)	67,826
Employee Future Benefits ("EFBs") shown in Return 1 (Note 7 to the Financial Statements)	(3,273)
Amount in EFBs related to OPEBs in Return 1 (Note 11 to the Financial Statements)	43,728
Amount in EFBs related to SERP and PUP Plans	12
	108,293

[2] In August 2024, Newfoundland Power extended the term of its committed short-term credit facility agreement to August 2029 and increased the amount from $100M to $130M at a cost of $101,000. The increase to the amount of the credit facility was approved by the Board in Order No. P.U. 23 (2024).

Newfoundland Power Inc.

Regulatory Deferrals

For The Year Ended December 31, 2024

($000s)

		Balance January 1 2024	Additions During 2024	Reductions During 2024	Balance December 31 2024
1	**Cost Recovery Deferrals**				
2	Deferred Costs - Conservation Program[1]	20,708	3,966	3,394	21,280
3	Deferred Costs - Revenue Shortfall[2]	229	6,300	6,529	-
4	Deferred Costs - Electrification[3]	1,368	385	-	1,753
5	Deferred Costs - Load Research and Retail Rate Design Review[4]	189	446	-	635
6	Deferred Costs - Pension Capitalization[5]	799	748	349	1,198
7	Deferred Costs - Hearing Costs[6]	-	874	-	874
8		23,293	12,719	10,272	25,740

[1] In Order No. P.U. 13 (2013), the Board approved (i) the deferral of costs incurred in implementing the CDM Program Portfolio and (ii) the seven-year amortization of recovery of those costs through the Rate Stabilization Account ("RSA"). In Order No. P.U. 3 (2022), the Board approved the increase in the amortization period for CDM program costs from seven to ten years, with effect on January 1, 2021.

[2] In Order No. P.U. 3 (2022), the Board approved the amortization over a 34-month period of a forecast revenue shortfall for 2022 of $930,000 resulting from the March 1, 2022
implementation of rates. This deferred balance was fully amortized as of December 31, 2024. In Order No. P.U. 24 (2024), the Board approved (i) the deferred cost recovery of a forecast revenue shortfall for 2024 of $9,000,000 resulting from the Company's *2024 Rate of Return on Rate Base Application* and (ii) the subsequent transfer of the forecast revenue shortfall to the RSA on December 31, 2024.

[3] In Order No. P.U. 3 (2022), the Board approved the deferral of costs incurred in implementing electrification initiatives approved by the Board.

[4] In Order No. P.U. 3 (2022), the Board approved the deferral of costs incurred in conducting a Load Research Study and a Retail Rate Design Review.

[5] In Order No. P.U. 3 (2022), the Board approved (i) the deferral of annual amounts related to income tax impacts of pension capitalization and (ii) the amortization of these costs over a five-year period, both commencing in January 2023.

[6] In Order No. P.U. 3 (2025), the Board accepted the Settlement Agreement recommendation for the amortization over a 30-month period of $1,000,000 in estimated hearing costs related to the Company's *2025/2026 General Rate Application* with differences between actual and estimated hearing costs to be reflected in the RSA.

Newfoundland Power Inc.
Other Rate Base Assets and Liabilities
For The Year Ended December 31, 2024
($000s)

		Balance January 1 2024	Change During 2024	Balance December 31 2024
1	**Assets**			
2	Customer Finance Programs[1]	1,199	(150)	1,049
3				
4	**Liabilities**			
5	Accrued Pension Obligation[2]	5,397	115	5,512
6				
7	Customer Security Deposits[3]	653	(35)	618
8				
9	Net OPEBs Liability[4]	84,357	1,951	86,308
10				
11	Refundable Investment Tax Credits[5]	292	2	294
12				
13	Excess Earnings Account[6]	3,714	(3,714)	-

[1] Comprised of loans provided to customers related to customer conservation programs and contributions in aid of construction.

[2] Executive and Senior Management supplemental pension benefits comprised of a defined benefit plan (PUP) and a defined contribution plan (SERP). The PUP was closed to new entrants in 1999. The December 31, 2024 balance is comprised of the following amounts:

	($000s)
Defined Benefit Pension liability shown in Return 1 (Balance Sheet)	293
DB Pension liability related to SERP and PUP Plans shown in Return 1 (Balance Sheet)	5,207
Amount in EFBs related to SERP and PUP Plans (Return 8)	12
	5,512

[3] Security deposits received from customers for electrical service in accordance with the Board approved *Schedule of Rates, Rules and Regulations.*

[4] The December 31, 2024 balance is comprised of the following amounts:

	($000s)
OPEBs liability shown in Return 1 (Balance Sheet)	46,084
Amount in EFBs related to OPEBs (Return 8)	43,728
OPEBs Regulatory Asset shown in Return 1 (Note 7 to the Financial Statements)	(3,504)
	86,308

[5] Refundable investment tax credit related to the scientific research and experimental development (SR&ED) tax incentive.

[6] In Order No. P.U. 24 (2024), the Board approved the transfer of the balance in the Excess Earnings Account to the Rate Stabilization Account on December 31, 2024.

Newfoundland Power Inc.
Materials and Supplies Allowance
For The Years Ended December 31
($000s)

		2024[1]	2023[1]
1	Opening - January 1	17,780	17,176
2	January	17,747	16,578
3	February	18,077	16,954
4	March	18,039	17,573
5	April	18,011	17,945
6	May	17,708	18,896
7	June	18,120	19,140
8	July	18,811	19,432
9	August	18,536	19,651
10	September	18,313	19,441
11	October	18,346	18,535
12	November	18,507	18,308
13	December	18,853	17,780
14	Total	236,848	237,409
15			
16	Average	18,219	18,262
17			
18	Less: Expansion	3,476 [2]	3,484 [2]
19			
20	Materials and Supplies Allowance	14,743	14,778

[1] The 2024 and 2023 materials and supplies allowance calculation reflects a 13-month average, as approved in Order No. P.U. 32 (2007).

[2] The expansion factor for 2024 and 2023 is 19.08% and was used to calculate the 2023 Test Year average rate base approved in Order No. P.U. 3 (2022).

Newfoundland Power Inc.
Cash Working Capital Allowance[1]
For The Years Ended December 31
($000s)

	2024	2023
Gross Operating Costs[2]	595,523	594,981
Current Income Taxes - Return 22	15,863	(3,484)
Municipal Taxes Paid	19,652	18,398
Non-Regulated Expenses (net of income taxes)	(2,511)	(2,091)
Total Operating Expenses	628,527	607,804
Cash Working Capital Factor[3]	1.199%	1.199%
	7,536	7,289
HST Adjustment	15	15
Cash Working Capital Allowance	7,551	7,304

[1] The cash working capital allowance for 2024 and 2023 is calculated based on the methodology used in the calculation of the 2023 Test Year average rate base approved in Order No. P.U. 3 (2022).

[2] In accordance with the method used to calculate the Test Year average rate base for 2023, approved in Order No. P.U. 3 (2022), gross operating costs used in the calculation of the cash working capital allowance are net of non-cash amortizations.

[3] The 2024 and 2023 cash working capital factor of 1.199% was used to calculate the 2023 Test Year Average Rate Base approved in Order No. P.U. 3 (2022).

Newfoundland Power Inc.
Return on Average Rate Base [1] & Determination of Excess Earnings
For The Years Ended December 31
($000s)

		2024	2023
1	Net Earnings from Return 1	50,609	45,996
2	Excess Earnings Adjustment at December 31	-	3,714
3	Add: Non-Regulated Expenses (net of income taxes) from Return 12	2,511	2,091
4	Regulated Return on Equity	53,120	51,801
5			
6	Finance Costs		
7	Interest on Long-Term Debt from Return 25	39,052	36,673
8	Other Interest from Return 25	3,456	2,543
9	Amortization of Debt Issue Expenses from Return 25	232	218
10	AFUDC[2]	(1,398)	(2,669)
11		41,342	36,765
12			
13	Regulated Earnings	94,462	88,566
14			
15	Adjustment for Weighted Average Cost of Capital Approach[3]	(2,784)	-
16			
17	Regulated Return on Rate Base	91,678	88,566
18			
19	Average Rate Base from Return 3	1,357,191	1,290,079
20			
21	Rate of Return on Average Rate Base	6.75%	6.87%
22			
23			
24	Average Rate Base from Return 3	1,357,191	1,290,079
25	Adjustment for 2023 Excess Earnings Liability[4]	-	1,857
26	Average Rate Base for Excess Earnings Calculation	1,357,191	1,291,936
27			
28	Upper Limit of the Allowed Range of Return on Average Rate Base[5]	6.85%	6.57%
29			
30	Upper Limit of Allowed Regulated Earnings	92,968	84,880
31			
32	Regulated Earnings	91,678	88,566
33			
34	Excess Earnings (net of income taxes)	-	3,686
35			
36	Adjustment for 2023 Excess Earnings included in Financial Statements[6]	-	28
37			
38	Excess Earnings	-	3,714

[1] The return on average rate base is calculated in accordance with the methodology approved in Order No. P.U. 32 (2007), adjusted to exclude return amounts related to invested capital balances greater than average rate base as outlined in the Company's *2024 Rate of Return on Rate Base Application* filing. The *2024 Rate of Return on Rate Base Application* was approved by the Board in Order No. P.U. 24 (2024).

[2] For financial reporting purposes, the equity component of AFUDC is reported as other income in Return 1.

[3] Adjustment to determine the 2024 rate of return on average rate base on the same basis as the 6.67% rate of return on average rate base approved in Order No. P.U. 24 (2024).

2024 average invested capital - Return 24	1,398,432
2024 average rate base - Return 3	1,357,191
Difference	41,241
2024 weighted average cost of capital	6.75%
Adjustment	2,784

[4] Adjustment to remove the Excess Earnings account from average rate base for purposes of calculating the 2023 Excess Earnings amount ($3,714,000 / 2 = $1,857,000).

[5] Based on a return on rate base for 2024 of 6.67% approved in Order No. P.U. 24 (2024) and a 2023 return on rate base of 6.39% approved in Order No. P.U. 3 (2022) plus the approved range of 0.18% for each year.

[6] Final 2023 Excess Earnings as calculated above were $28,000 lower than the amount of the Excess Earnings Adjustment of $3,714,000 booked at December 31, 2023. The Company did not revise the 2023 Excess Earnings Account for this difference.

Newfoundland Power Inc.
Details of Normalized Sales and Revenue
For The Years Ended December 31

			2024			2023		
			Gigawatt Hours	Year End Customer Accounts	Revenue	Gigawatt Hours	Year End Customer Accounts	Revenue
1	**Revenue From Rates**				($000s)			($000s)
2	Domestic							
3	Domestic	1.1	3,644.2	240,247	465,438	3,644.1	238,501	465,098
4	Domestic - Seasonal	1.1S	11.8	1,169	1,557	12.1	1,247	1,597
5	Total Domestic		3,656.0	241,416	466,995	3,656.2	239,748	466,695
6								
7	General Service:							
8	0 - 100 kW	2.1	785.3	23,218	96,212	788.9	23,168	96,962
9	110 - 1000 kVA	2.3	1,031.8	1,253	107,927	1,060.8	1,287	110,832
10	1000 kVA and Over	2.4	430.4	65	39,834	397.8	61	37,230
11	Total General Service		2,247.5	24,536	243,973	2,247.5	24,516	245,024
12								
13	Street & Area Lighting	4.1	22.7	11,442	16,395	24.2	11,200	16,536
14	Forfeited Discounts		-	-	3,229	-	-	2,809
15								
16	Revenue From Rates		5,926.2	277,394	730,592	5,927.9	275,464	731,064
17								
18	**Adjustments and Transfers**							
19	Energy Supply Cost Variance Deferral [1]				28,600			29,228
20	Pension Expense Variance Deferral [2]				907			1,355
21	OPEBs Variance Deferral [3]				(3,690)			(1,110)
22	Deferred CDM Program Costs[4]				4,848			4,232
23	Excess Earnings[5]				-			(5,305)
24	Revenue Requirement Shortfall[6]				9,000			-
25	Total Adjustments and Transfers				39,665			28,400
26								
27	**Other Revenue**							
28	Pole Attachment				2,858			2,579
29	Provisioning Work				7,876			7,067
30	Wheeling Revenue				658			675
31	Interest on Overdue Customer Accounts				2,115			1,871
32	Other Non-Electrical Revenue				5,113			2,207
33	Total Other Revenue				18,620			14,399
34								
35	**Total Revenue - Return 1**				**788,877**			**773,863**

[1] The Energy Supply Cost Variance Deferral Account was approved in Order No. P.U. 32 (2007).
[2] The Pension Expense Variance Deferral Account was approved in Order No. P.U. 43 (2009).
[3] The OPEBs Variance Deferral Account was approved in Order No. P.U. 31 (2010).
[4] Deferred CDM Program Costs were approved in Order No. P.U. 13 (2013) and a subsequent increase in the amortization period from seven to ten years was approved in Order No. P.U. 3 (2022).
[5] The Excess Earnings Account was approved in Order No. P.U. 3 (2009). Transfer of the balance in this account as of December 31, 2023 to the Rate Stabilization Account was approved in Order No. P.U. 24 (2024).
[6] The Revenue Requirement Shortfall for 2024 was approved in Order No. P.U. 24 (2024).

Newfoundland Power Inc.
Normalized Production and Sales Statistics
For The Years Ended December 31
(GWh)

		2024	2023
1	Purchased	5,800.7	5,806.3
3	Produced	423.2	425.6
6	Total Purchased & Produced	6,223.9	6,231.9
9	Sold & Used	5,937.5	5,939.0
12	Losses	286.4	292.9
14	Losses Expressed as a Percentage of		
15	Total Purchased & Produced	4.6%	4.7%
17	Purchased Power Annual Billing Demand in kW	1,356,955	1,344,691

Newfoundland Power Inc.
Rate Stabilization Account
For the Period Ended December 31, 2024
($000s)

Month	Opening Balance	Adjustments	RSA Billed During Month	Municipal Taxes	Excess Fuel Costs	CDM Recovery	Interest Costs	Project Cost Recovery Rider	Transfer To (From) NL Hydro	Closing Balance
January	36,615.0		(8,011.8)		11.5	111.3	195.0	5,919.5	3,679.3	38,519.8
February	38,519.8		(8,628.8)		7.6	97.6	205.1	5,193.0	3,227.8	38,622.1
March	38,622.1	12,492.5 [1]	(7,597.5)		10.9	91.5	216.7	4,865.8	3,024.4	51,726.4
April	51,726.4		(6,967.7)		4.2	77.5	275.5	4,120.2	2,560.9	51,797.0
May	51,797.0		(6,056.2)		10.9	66.4	275.8	3,530.1	2,194.1	51,818.1
June	51,818.1		(4,781.2)		26.0	47.0	275.9	2,498.6	1,553.0	51,437.4
July	51,437.4		(3,783.1)		5.7	45.3	273.9	2,407.6	1,496.5	51,883.3
August	51,883.3		(5,201.9)		4.5	52.1	276.3	3,442.3	1,411.8	51,868.4
September	51,868.4		(6,343.2)		3.9	52.4	376.7	3,463.9	1,420.7	50,842.8
October	50,842.8		(7,287.6)		6.6	69.3	282.6	4,581.3	1,879.0	50,374.0
November	50,374.0		(9,716.0)		10.7	81.2	280.0	5,369.3	2,202.2	48,601.4
December	48,601.4	32,232.2 [2]	(11,323.8)	(24.9) [3]	2.0	106.4	270.1	7,037.2	2,886.3	79,786.9
		44,724.7	(85,698.8)	(24.9)	104.5	898.0	3,203.6	52,428.8	27,536.0	

[1] Adjustments in March 2024 include: (i) $9,030,386 for the 2023 year end balance in the Weather Normalization Reserve Account and related income tax effects, approved in Order No. P.U. 13 (2013); (ii) $4,848,027 for the amortization of deferred customer energy conservation program costs as approved in Order No. P.U. 3 (2022); (iii) $906,748 for the disposition of the difference in forecasted vs. test year defined benefit pension costs, approved in Order No. P.U. 43 (2009); (iv) ($3,690,300) for the disposition of the difference in forecasted vs. test year OPEBs expense, approved in Order No. P.U. 16 (2013); and (v) $1,397,701 for the 2023 year end balance in the Demand Management Incentive Account and related income tax effects approved in Order No. P.U. 12 (2024).

[2] Adjustments in December 2024 include: (i) $28,600,289.8 for the transfer of the 2024 year-end balance in the Energy Supply Cost Variance Account, approved in Order No. P.U. 32 (2007) and approved for continued use in Order No. P.U. 43 (2009); and (ii) $9,000,000 for the 2024 revenue shortfall and ($5,368,122) for the year-end balance in the Excess Earning Account that were both approved for transfer to the RSA in Order No. P.U. 24 (2024).

[3] This is the difference between total municipal taxes collected from customers through rates and the total taxes paid to municipalities for 2024.

Newfoundland Power Inc.
Weather Normalization Reserve
For The Year Ended December 31, 2024
($000s)

		Opening Balance	Additions During 2024	Transfer to RSA During 2024	Closing Balance
1	Weather Normalization Reserve	6,321	(2,896) [1]	(6,321) [2]	(2,896) [3]

[1] Additions during the year include the following:

Degree Day Normalization Reserve Transfer	
Revenue Adjustment	
Heating Degree Days	13,690
Cooling Degree Days	-
Wind Speed Adjustments	-
Total Revenue Adjustment	13,690
Less: Power Purchased Adjustment	
Heating Degree Days	23,422
Cooling Degree Days	-
Wind Speed Adjustments	-
Total Power Purchased Adjustment	23,422
Net Adjustment (Before Tax)	(9,732)
Less: Income Tax @ 30.0%	(2,920)
Net Adjustment	(6,812)
Hydro Production Equalization Reserve Transfer	
Transfer (To) From Reserve (Before Tax)	5,595
Less: Income Tax @ 30.0%	1,679
Net Adjustment	3,916
Net Transfer (To) From Weather Normalization Reserve	**(2,896)**

[2] In Order No. P.U. 13 (2013), the Board approved the transfer of the annual balance in the Weather Normalization Reserve to the Rate Stabilization Account.

[3] A positive balance in the Weather Normalization Reserve reflects amounts to be recovered from customers in future periods. A negative balance in the Weather Normalization Reserve reflects amounts owed to customers.

Newfoundland Power Inc.
Demand Management Incentive Account
For The Year Ended December 31, 2024
($000s)

Demand Management Incentive Account Transfer	
Demand Supply Cost Variance	2,958
Demand Management Incentive (+/-)[1]	751
Supply Cost Variance Outside Deadband	2,207
Less: Income Tax @ 30.0%	662
Net Transfer (To) From Demand Management Incentive Account	**1,545**
Demand Management Incentive Account Balance	
Balance at January 1, 2024	978
Transfers to the RSA	(978)
Net Transfer (To) From Demand Management Incentive Account	1,545
Balance at December 31, 2024	1,545

[1] The demand management incentive of $750,631 is plus/minus 1% of test year wholesale demand charges. The Demand Management Incentive Account definition was approved in Order No. P.U. 32 (2007).

Newfoundland Power Inc.
Pension Expense Variance Deferral Account &
OPEBs Cost Variance Deferral Account
For The Year Ended December 31, 2024
($000s)

Pension Expense Variance Deferral Account ("PEVDA")[1]	
2024 Actual Pension Expense[2]	(6,361)
2023 Test Year Forecast Pension Expense	(7,268)
PEVDA Variance (A)	907
OPEBs Cost Variance Deferral Account ("OPEVDA")[3]	
2024 Actual OPEBs Expense[2]	4,252
2023 Test Year Forecast OPEBs Expense	7,943
OPEVDA Variance (B)	(3,691)
Amount Transferred to the RSA[4] (A+B)	(2,784)

[1] In Order No. P.U. 43 (2009), the Board approved a Pension Expense Variance Deferral Account, which is charged or credited with the amount by which the annual pension expense differs from that approved for the establishment of revenue requirement from rates for a test year.

[2] Pension expense and OPEBs expense are net of capitalization.

[3] In Order No. P.U. 31 (2010), the Board approved an OPEBs Cost Variance Deferral Account, which is charged or credited with the amount by which the OPEBs expense differs from that approved for the establishment of revenue requirement from rates for a test year.

[4] In Order No. P.U. 43 (2009) and in Order No. P.U. 31 (2010), the Board ordered that Newfoundland Power shall charge or credit any amounts in the PEVDA and OPEVDA to the Rate Stabilization Account as of the 31st day of March in the year in which the difference arises.

Newfoundland Power Inc.
Statement of Operating & General Expenses
For the Years Ended December 31
($000s)

	2024	2023	2024/2023 Variances[1]
Operating Expenses			
Purchased Power	510,184	511,983	(1,799)
Power Produced	3,734	3,871	(137)
Administrative and Engineering Support	9,500	9,705	(205)
Environmental Policy	350	368	(18)
Substations	2,528	2,460	68
Transmission	1,098	1,426	(328)
Distribution	10,667	10,812	(145)
Telecommunications	1,793	1,654	139
Fleet Operating and Maintenance Expense	1,947	1,944	3
	541,801	544,223	(2,422)
General Expenses			
Customer Service	16,698	17,117	(419)
Financial Services	2,092	2,207	(115)
Information Systems	8,848	7,610	1,238
Pension Costs	(7,011)	(6,959)	(52)
Other Post Employment Benefits	3,592	6,015	(2,423)
Corporate and Employee Services	24,493	23,106	1,387
	48,712	49,096	(384)
Total Operating & General Expenses	590,513	593,319	(2,806)
Transfers to General Expenses Capitalized	(3,190)	(3,356)	166
Deferred CDM Program Costs	(5,666)	(6,158)	492
Deferred Electrification Program Costs	(49)	(99)	50
Other Contract Expenses	7,438	5,222	2,216
Pension Expense Current Services	2,807	2,920	(113)
OPEB Expenses Current Services	634	759	(125)
Amortization of Deferred CDM Costs	4,848	4,232	616
Total Expenses[2]	**597,335**	**596,839**	**496**

[1] Variances are explained in Return 21.

[2] This is equal to the total of purchased power costs, operating expenses and employee future benefit costs shown in Return 1.

Newfoundland Power Inc.
Explanation of Expense Variances
2024 versus 2023
($000s)

	2024	2023	Increase (Decrease)
Total Expenses	**597,335**	**596,839**	**496**

The increase in total expenses for 2024 was primarily due to higher other contract expenses, Corporate and Employee Services and Information Systems costs partially offset by lower Employee Future Benefits costs and lower purchased power costs.

The following is an explanation of significant variances for individual operating and general expense classes.

	2024	2023	Increase (Decrease)
Purchased Power	**510,184**	**511,983**	**(1,799)**

Purchased Power costs were lower in 2024 primarily as a result of changes in production at the Company's hydroelectric generating facilities, lower electricity system losses and lower energy purchases partially offset by higher billing demand charges.

	2024	2023	Increase (Decrease)
Power Produced	**3,734**	**3,871**	**(137)**

Power Produced costs for 2024 were lower than 2023 as a result of lower labour costs partially offset by higher external consultant costs associated with hydro plant inspections.

	2024	2023	Increase (Decrease)
Administrative and Engineering Support	**9,500**	**9,705**	**(205)**

Administrative and Engineering Support costs for 2024 were lower than 2023 primarily as a result of a decrease in safety clothing and small tool purchases and lower external consultant costs partially offset by an increase in labour costs.

	2024	2023	Increase (Decrease)
Environmental Policy	**350**	**368**	**(18)**

Environmental Policy costs for 2024 were consistent with 2023.

	2024	2023	Increase (Decrease)
Substations	**2,528**	**2,460**	**68**

Substations costs for 2024 were consistent with 2023.

	2024	2023	Increase (Decrease)
Transmission	**1,098**	**1,426**	**(328)**

Transmission costs for 2024 were lower than 2023 primarily as a result of decreased transmission maintenance costs including lower vegetation management activity.

	2024	2023	Increase (Decrease)
Distribution	**10,667**	**10,812**	**(145)**

Distribution costs for 2024 were lower than 2023 primarily as a result of lower overtime costs as a result of favourable weather conditions in 2024.

Newfoundland Power Inc.
Explanation of Expense Variances
2024 versus 2023
($000s)

	2024	2023	Increase (Decrease)
Telecommunications	**1,793**	**1,654**	**139**

Telecommunications costs for 2024 were higher than 2023 primarily as a result of increased external costs from third-party service providers.

	2024	2023	Increase (Decrease)
Fleet Operating and Maintenance Expense	**1,947**	**1,944**	**3**

Fleet Operating and Maintenance Expense costs for 2024 were consistent with 2023.

	2024	2023	Increase (Decrease)
Customer Service	**16,698**	**17,117**	**(419)**

Customer Service costs for 2024 were lower than 2023 as a result of decreased external consultant costs, lower advertising and customer energy conservation costs partially offset by increased labour costs.

	2024	2023	Increase (Decrease)
Financial Services	**2,092**	**2,207**	**(115)**

Financial Services costs for 2024 were lower than 2023 as a result of lower external consultant costs partially offset by higher labour costs.

	2024	2023	Increase (Decrease)
Information Systems	**8,848**	**7,610**	**1,238**

Information Systems costs for 2024 were higher than 2023 primarily as a result of increased licensing and support costs for third-party hardware and software solutions, higher external consultant costs including cybersecurity, and higher labour costs.

	2024	2023	Increase (Decrease)
Employee Future Benefits	**(3,419)**	**(944)**	**(2,475)**

Employee Future Benefits includes Pension Costs and Other Post-Employment Benefits ("OPEBs"). The decrease was primarily due to lower interest costs and amortization of a higher net actuarial gain for the Company's OPEB plan resulting from the Company's OPEB actuarial valuation as at December 31, 2023.

	2024	2023	Increase (Decrease)
Corporate and Employee Services	**24,493**	**23,106**	**1,387**

Corporate and Employee Services costs for 2024 were higher than 2023 primarily as a result of higher corporate labour costs, consultant costs associated with regulatory activity and higher non-regulated charges from Fortis.

	2024	2023	Increase (Decrease)
Transfers to General Expenses Capitalized	**(3,190)**	**(3,356)**	**166**

Transfers to General Expenses Capitalized decreased in 2024 over 2023 primarily as a result of lower small tools and clothing purchases in 2024 as compared to 2023.

Newfoundland Power Inc.
Explanation of Expense Variances
2024 versus 2023
($000s)

	2024	2023	Increase (Decrease)
Deferred CDM Program Costs	**(5,666)**	**(6,158)**	**492**

Deferred CDM Program costs for 2024 were lower than 2023 primarily as a result of the conclusion of the instant rebate and thermostat programs and the small business pilot partially offset by a new attic insulation pilot for income qualified customers.

	2024	2023	Increase (Decrease)
Deferred Electrification Program Costs	**(49)**	**(99)**	**50**

Deferred Electrification Program costs for 2024 were consistent with 2023.

	2024	2023	Increase (Decrease)
Other Contract Expenses	**7,438**	**5,222**	**2,216**

Other Contract Expenses were higher in 2024 primarily as a result of increased third-party work for telecommunication companies.

	2024	2023	Increase (Decrease)
Pension Expense Current Service	**2,807**	**2,920**	**(113)**

Pension Expense Current Service costs for 2024 were lower than 2023 primarily as a result of changes in the discount rate as compared to December 31, 2023 partially offset by increased Group RRSP costs.

	2024	2023	Increase (Decrease)
OPEB Expense Current Service	**634**	**759**	**(125)**

OPEB Expense Current Service costs for 2024 were lower than 2023 primarily as a result of changes in the discount rate as compared to December 31, 2023.

	2024	2023	Increase (Decrease)
Amortization of Deferred CDM Costs	**4,848**	**4,232**	**616**

In Order No. P.U. 13 (2013), the Board approved the deferred recovery, over a seven-year period, of annual costs associated with customer energy conservation programming. Amortization of this deferral commenced in 2014. In Order No. P.U. 3 (2022), the Board approved an increase in the amortization period from seven to ten years. Amortization of this deferral is higher in 2024 due to the inclusion of the tenth year of deferred customer energy conservation programming costs.

	2024	2023	Increase (Decrease)
	597,335	**596,839**	**496**

Newfoundland Power Inc.
Calculation of Taxable Income and Income Tax Expense
For The Year Ended December 31, 2024
($000s)

Earnings Before Income Taxes from Return 1			62,666
Add:	Depreciation of capital assets	87,082	
	Difference in pension funding and accounting cost	(7,573)	
	Difference in OPEBs payments and accounting cost	1,361	
	Non-deductible compensation expense	484	
	Business meals & related expenses	478	
	Amortization of debt discount & expenses	190	
	Amortization of credit facility costs	41	
	Small tools in excess of $500	568	
	Other non deductible costs	40	82,671
Less:			
	Capital cost allowance	75,965	
	General expenses capitalized	4,701	
	Interest charged to construction	1,398	
	Net capital gain (loss) on sale of land	(1)	
	Deferred credit facility costs	101	
	Bond issue expenses	283	
	Dismantling	13,358	
	Regulatory mechanisms and deferrals	(3,344)	92,461
Taxable Income			52,876
	Income Tax - Part 1 @ 30%		15,863
	Income Tax - true up estimate		(1,236)
Current Income Tax Expense			14,627
	Deferred income tax from Return 23		2,678
	Deferred tax on regulatory mechanisms and deferrals		(5,248)
Deferred Income Tax Expense			(2,570)
Total Income Tax Expense			12,057

Newfoundland Power Inc.
Accumulated Deferred Income Taxes
For The Year Ended December 31, 2024
($000s)

1	**Plant Investments**		
2	Balance on January 1, 2024		51,724
4	Add: CCA claimed on all property, plant and equipment - from Return 22	75,965	
5	Less: Amortization expense on all property, plant and equipment		
6	(GEC excluded from post-1986 additions)	73,253	
7	Difference	2,712	
9	Deferred Income Tax Rate @ 30%		814
11	Balance on December 31, 2024 (if negative enter 0)		52,538
13	**Pension and Early Retirement Costs**		
14	Balance on January 1, 2024		405
16	Add: Pension Funding	1,510	
17	Less: Pension Expense	(6,063)	
18	Difference	7,573	
20	Deferred Income Tax Rate @ 30%		2,272
22	Balance on December 31, 2024		2,677
24	**Other Post Employment Benefits ("OPEBs")**		
25	Balance on January 1, 2024		(21,520)
27	Add: OPEBs Payments	2,865	
28	Less: OPEBs Expense	4,226	
29	Difference	(1,361)	
31	Deferred Income Tax Rate @ 30%		(408)
33	Balance on December 31, 2024		(21,928)
36	**Total Accumulated Deferred Income Taxes**		**33,287**

Newfoundland Power Inc.
Average Regulated Capital Structure
For The Year Ended December 31, 2024
($000s)

Average Book Capital Structure

	Year End December 31 2024	Year End December 31 2023	Average	Percent
Total Debt[1]	797,250	773,166	785,208	56.15%
Common Equity[2]	643,846	582,601	613,224	43.85%
	1,441,096	1,355,767	1,398,432	100.00%

Average Regulated Capital Structure[3]

	Average 2024	Percent
Total Debt	785,208	56.15%
Common Equity	613,224	43.85%
	1,398,432	100.00%

[1] A reconciliation of the 2024 debt to Return 1 is as follows:

	($000s)
2024 Total Debt	797,250
Add: Unamortized Credit Facility Costs (Note 12 to Financial Statements)	167
Less: Short-Term Borrowings (Return 1)	(61,277)
Less: Current Portion of Long-Term Debt (Return 1)	(8,450)
2024 Long-Term Debt (Return 1)	727,690

[2] A reconciliation of the 2024 retained earnings to Return 1 is as follows:

	($000s)
2024 Common Share Equity	643,846
Less: Common Shares (Return 1)	(70,321)
Less: Contributed Capital (Return 1)	(10,000)
2024 Retained Earnings (Return 1)	563,525

[3] In Order No. P.U. 19 (2003), the Board ordered that the proportion of common equity in the regulated capital structure shall not exceed 45%. In years where the average common equity percentage is below 45% of the average invested capital, the average regulated capital structure will equal the average book capital structure.

Newfoundland Power Inc.
Cost of Embedded Debt
For The Years Ended December 31
($000s)

			2024	2023
1	**Debt**			
2	Bonds		739,085	747,535
3	Credit Facilities and Short-Term Borrowings		61,277	32,000
4	Less: Cash		-	(3,126)
5			800,362	776,409
6				
7	Debt Discount and Issue Expenses		(3,112)	(3,243)
8				
9			797,250	773,166
10				
11	Average Debt	**A**	785,208	728,787
12				
13	**Interest Expense**[1]			
14	Interest on Bonds		39,052	36,673
15	Interest on Credit Facilities		3,436	2,511
16	Interest on Bank Indebtedness		20	32
17	Amortization of Debt Discount and Issue Costs		232	218
18				
19		**B**	42,740	39,434
20				
21	**Embedded Cost of Debt**	**B/A**	**5.44%**	**5.41%**

[1] Total financing costs for 2024 and 2023 reported in Return 1 are as follows:

	2024	2023
Interest Expense (B) from above	42,740	39,434
Add: Interest on Security Deposits	65	76
Add: Interest on Tax Return	-	1
Less: AFUDC (Debt portion only)	(769)	(1,468)
Finance Charges reported in Return 1	42,036	38,043

Newfoundland Power Inc.
Explanation of Variances in Cost of Debt
For The Year Ended December 31
($000s)

		Actual 2024	Test Year 2023	Variance	
1	**Average Debt**	785,208	708,191	77,017	[1]
2					
3	**Embedded Cost of Debt**	5.44%	4.67%	0.77%	[2]
4					
5	**Details of the Embedded Cost of Debt**				
6	Interest on Bonds	39,052	34,945	4,107	[3]
7	Interest on Credit Facilities	3,436	909	2,527	[2]
8	Interest on Bank Indebtedness	20	-	20	
9	Amortization of Debt Discount and Issue Costs	232	183	49	
10					
11		42,740	36,037	6,703	

[1] Average debt is higher than 2023 Test Year due primarily to continued investment in the electricity system and higher balances in the Company's Rate Stabilization Account for recovery from customers.

[2] Embedded cost of debt and interest on credit facilities is higher than the 2023 Test Year due primarily to higher short-term interest rates and the issuance of Series AS first mortgage sinking fund bonds in August 2023.

[3] Interest on long-term debt is higher than the 2023 Test Year due primarily to timing and amount of Series AS bond issuance.

Newfoundland Power Inc.
Regulated Return on Average Common Equity
For The Years Ended December 31
($000s)

	2024	2023
Average Common Equity		
Common Equity at December 31, 2024	643,846	
Common Equity at December 31, 2023	582,601	582,601
Common Equity at December 31, 2022		543,932
Average Common Equity	613,224	563,267
Regulated Return on Average Common Equity		
Earnings Applicable to Common Shares	50,609	45,996
Add: Non-Regulated Expenses (net of income taxes) - Return 12	2,511	2,091
	53,120	48,087
Regulated Return on Average Common Equity	**8.66%**	**8.54%**

Newfoundland Power Inc.
Assessable Revenue
(s. 13 of the *Public Utilities Act*)
For The Year Ended December 31, 2024
($000s)

Revenue From Rates from Return 14	730,592	
Weather Normalization Revenue Adjustment from Return 17	(13,690)	
	716,902	
Municipal Taxes Billed	19,676	
Billing per the Rate Stabilization Account from Return 16	85,699	
Total Electrical Revenue Billed		822,277
Other Revenue from Return 14		18,620
Assessable Revenue		**840,897**

NEWFOUNDLAND POWER INC.

System of Accounts
Revised

March 31, 2025

Revised: March 31, 2025

NEWFOUNDLAND POWER INC.

SYSTEM OF ACCOUNTS

General Instructions

1.01 In the following general instructions and data relating to the content of the accounts comprising the system of accounts:

the “Company” means Newfoundland Power Inc.;

the “Board” means the Board of Commissioners of Public Utilities of the Province of Newfoundland and Labrador;

“Regulated Value” means the value of plant established in accordance with the provisions of the *Public Utilities Act* which provides in Section 64 (2):

> “The Board may determine the value of the property and assets of a public utility in accordance with the following rules:
>
> (a) Where the property and assets were
>
> (i) held by the public utility before January 1, 1950, or
>
> (ii) acquired by the public utility on or after that date, but were in physical existence before that date,
>
> the value shall be determined on the basis of the fair depreciated value of such property and assets at that date, with subsequent depreciation.
>
> (b) Where the property and assets are new property and assets created or acquired on or after January 1, 1950, the value shall be determined on the basis of the prudent original cost, with depreciation since the date of creation or acquisition.
>
> (c) Where the property and assets are property and assets other than those referred to in paragraphs (a) and (b) and were acquired on or after January 1, 1950, the value shall be determined on the basis of the prudent cost at the time of such acquisition, with depreciation since the date of acquisition.”

1.02 Accounts shall be maintained on an accrual basis and items to be included in any account shall be those which, under generally accepted accounting principles applicable to electric utilities, are considered reasonably to fall under the account headings described therein.

1.03 The classification included in this system of accounts is for the purpose of recording transactions and the approval of the Board for this purpose does not preclude the Board from consideration of alternatives for calculation of tariffs or other purposes.

1.04 The following accounts shall be used in the general ledger of the Company for the classification of transactions:

Summary of Accounts

Description	Account Number	Contents Paragraph
Assets		
Electric Plant in Service	101xx	2.01
General Expenses Capital - Costs	197xx	2.02
General Expenses Capital - Recoveries	198xx	2.02
Construction Work in Progress	7xxxx	2.03
Capitalized Overhead on Work in Progress	107xx	2.03
Accumulated Depreciation of Electric Plant in Service	102xx	2.04
Retirement Work in Progress	8xxxx	2.04
Cash and Short-Term Investments	131xx	2.05
Consumer Accounts Receivable	142xx	2.06
RSA Credit July 2020	14205	2.07
Accounts Receivable - Accrued Revenue	14225	2.08
Interest Assistance Program	14226	2.09
Other Accounts Receivable	143xx	2.10
Accumulated Provision for Uncollectible Accounts	144xx	-
Income Tax Receivable	146xx	-
Transactions with Associated Companies	1437x-1439x	2.10
Customer Jobbing	90xxx/92xxx/93xxx	2.10
Materials and Supplies	150xx	2.11
Prepayments	165xx	-
Extraordinary Property Losses	180xx	2.12
Unamortized Debt Discount and Expense	181xx	-
Unamortized Share Issue Expenses	182xx	-
Deferred Charges Related to Employee Future Benefits and Miscellaneous Items	186xx	2.13
Deferred Work Orders	91xxx	2.13
Rate Stabilization Account	14500/18647	2.14
CDM Cost Deferral Account	188xx	2.15

Payroll and Stores Related Overheads	19xxx	2.16
Municipal Tax Account	14502	2.17
Conservation Program Loans	148xx	2.19
Employee Future Benefits Regulatory Assets Account	1864x/1451x	2.20
Load Research and Rate Design Cost Deferral Accounts	18400/18401	2.21
Electrification Cost Deferral Account	189xx	2.22
Pension Capitalization Cost Deferral Account	18500/18501	2.23

Capital Stock and Liabilities

Common Stock Issued	201xx	-
Preference Stock Issued	204xx	-
Retained Earnings and Dividends Declared	215xx	3.01
Long Term Debt - First Mortgage Bonds	221xx	-
Hydro Production Equalization Reserve	274xx	3.02
Degree Day Normalization Reserve	275xx	3.02
Contributions in Aid of Construction	271xx	3.03
Deferred Income Taxes	273xx	3.04
Excess Earnings Account	284xx	3.05
Other Post-Employment Benefits (OPEB)	22400/23502	3.06
OPEB Cost Variance Deferral Account	24222	3.07
Pension Expense Variance Deferral Account (PEVDA)	24228	3.08
Defined Benefit Pension Plans and Other Liabilities	242xx/2350x	3.09
Demand Management Incentive Account	23257/24230	3.10
Cost Recovery Deferral	24229/22410	3.12
Revenue Requirement Shortfall or Surplus	22423	3.13
Bank Loans and Credit Facility Borrowings	231xx	-
Accounts Payable	232xx	-
Current Portion of Long-Term Debt	233xx	-
Provision for Income Taxes	236xx	-
Interest Accrued on Long-Term Debt	237xx	-
Dividends Payable	238xx	-

Plant Accounts

Steam Production		
Land and Land Rights	310xx	4.01
Hydro Production		
Land, Land Rights and Clearing	320xx	4.09
Roads, Trails, Bridges and Road Diversion and Protective Works	321xx	4.10
Buildings and Structures	322xx	4.11

Miscellaneous Equipment		376xx	4.49
Engineering Equipment		377xx	4.50
Transportation Equipment		378xx	4.51
Computer Hardware and Software		379xx	4.52
Telecommunications			
Land and Land Rights		380xx	4.53
Mobile Radios		381xx	4.54
Radio Sites		382xx	4.55
Radio Equipment		383xx	4.56
Cables and Protection		384xx	4.57
Multiplex Equipment		385xx	4.58
SCADA Master		386xx	4.59
RTU and Supervisory		387xx	4.60
Standby Power		388xx	4.61
Telephone Equipment		389xx	4.62
Power Line Carrier		390xx	4.63
Test Equipment		391xx	4.64

Operating Revenues

Domestic	1.1	4x110	-
Domestic All Electric	1.1	4x112	-
Domestic Seasonal – Optional	1.1S	4x15x	-
General Service 0-10 kW	2.1	4x21x	-
General Service 10-100 kW (110 kVA)	2.2	4x22x	-
General Service 110 kVA - 1000 kVA	2.3	4x23x	-
General Service over 1000 kVA	2.4	4x24x	-
Street and Area Lighting	4.1	4x410	-
Forfeited Discounts		4x400	-
Miscellaneous Non-Consumer Revenue		4x5xx/40700	5.01
Pole Related Revenues and Joint Use Revenues		416xx/4x590	5.02
Accrual of Unbilled Revenue		41113	5.03
Deferred Revenues – PEVDA		41114	5.04
Deferred Revenues – OPEB Variance Deferral Account		41115	5.05
Deferred Revenues – CDM Cost Recovery Transfer		41117	5.06

Income Deductions

Interest on Long-Term Debt	40000	-
Other Interest	401xx	6.01
Debt Component of AFUDC	402xx	6.02
Amortization of Debt Discount and Issue Expenses	403xx	-

Depreciation and Amortization	409xx	6.03
Weather Normalization Reserve	408xx	6.04
Excess Earnings Account	40Rxx	6.05
Extraordinary Income or Expenses	40Sxx	6.06
Provision for Income Tax	406xx	-
Other Contract Expenses	417xx	6.07
Dividends - Common Shares	2151x	-
Dividends - Preference Shares	2152x	-

Operating Expenses

Power Purchased	500xx	7.01
Transfer (to) from Rate Stabilization Account	50004	7.02
Power Produced		
Generation Plan	510xx	7.03
Hydro Production	512xx	7.04
Internal Combustion Plants	513xx	7.05
Wind Turbines	514xx	7.06
Administrative and Engineering Support		
Supervisory and Administrative Support	5200x	7.07
System Operations	522xx	7.08
Tools, Equipment, Safety Clothing and Company Uniforms	525xx	7.09
Engineering and Technical Support	5205x	7.11
Environmental Policy	53xxx	7.12
Substations	54xxx	7.13
Transmission		
Line Maintenance and Repairs	550xx	7.14
Line Inspections	554xx	7.16
Line Vegetation Management	555xx	7.17
Distribution		
Repair / Maintain Lines	561xx	7.18
Repair / Maintain Services	563xx	7.19
Repair / Maintain Street Lights	564xx	7.20
Pre-Issue of Materials	565xx	7.22
Maintain Transformers	566xx	7.23
Maintain Meters	567xx	7.25
Line Inspections	574xx	7.32

Building Operations and Maintenance	67xxx	7.81
Municipal Taxes and PUB Assessments	656xx	7.82
Individual Vehicle Operating and Maintenance Costs	59000	7.85
Vehicle Service Centre	37xxx	7.85

1.05 Subdivisions of any account prescribed in paragraph 1.04 may be kept, provided that such subdivisions do not impair the integrity of the prescribed accounts.

1.06 If in order to record a transaction, account numbers need to be added or deleted, such numbers together with the appropriate descriptions of contents will be referred to the Board, and unless notification to the contrary is received within 30 days, these changes shall be considered accepted by the Board and this system of accounts amended accordingly.

1.07 The Company shall so keep its books of account and all other books, records and memoranda which support in any way the entries in such books as to be able to furnish readily full information as to the nature of any item included in any account.

1.08 The Company shall maintain a work order system to show the nature of each addition to or retirement of electric plant, the source or sources of cost and the electric plant account or accounts to which charged or credited.

The Company shall also maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various units of property in service.

1.09 A description of the contents of the accounts has not been prepared for each account but only for those where doubt might exist as to the nature of the items to be included therein.

CONTENTS OF ACCOUNTS

Assets

2.01 Electric Plant In Service 101xx

(a) These accounts, used for report purposes, are the total of the balances included in electric plant accounts 310 to 391 inclusive.

(b) The plant accounts 310 to 391 are designed to show the regulated value of the plant in service determined in accordance with the provisions of the *Public Utilities Act*. (See general instructions 1.01.)

The values assigned to the physical plant as of June 30, 1966 and approved by Board Order No. P.U. 9 (1967), shall be the basis for the Company's plant accounting records as of that date.

(c) Electric plant accounts shall be charged with all costs of construction after June 30, 1966. These include labour, engineering, transportation, materials and supplies, contracted work, cost of accidents or damages, permits and right of way, interest and insurance during construction, supply expenses, motor vehicle expenses and general expenses.

(d) When any item of property is worn out, lost, sold, destroyed, abandoned, becomes permanently unserviceable or is withdrawn from service, the amount in the plant account applicable to the item shall be credited to the appropriate plant account. In the case of depreciable plant, the corresponding debit will be made to the accumulated depreciation account.

(e) For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of (1) unit of property and (2) minor items of property.

(f) Units of Property

(i) When a unit of property is added to electric plant, the cost thereof shall be added to the appropriate electric plant account.

(ii) When a unit of property is retired from electric plant, with or without replacement, the value thereof shall be credited to the electric plant account in which it is included, determined in the manner set forth in paragraph (h) below. If the unit of property is of a depreciable class, the cost of the unit retired and credited to electric plant shall be charged to accumulated depreciation provided for such property.

(g) Minor Items of Property

(i) When a minor item of property which did not previously exist is added to plant, the cost thereof shall be accounted for in the same manner as for the addition of a unit of property as set forth above, if a substantial addition results, otherwise the charge shall be to the appropriate operating expense account.

(ii) When a minor item of property is retired and not replaced, the book value thereof shall be credited to the electric plant account in which it is included; and, in the event the minor item is a part of depreciable plant, accumulated depreciation shall be charged with the value and cost of removal (net of tax) and credited with the salvage. If, however, the value of the minor item retired and not replaced has been or will be accounted for by its inclusion in the unit of property of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(iii) When a minor item of depreciable property is replaced independently of the unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate electric plant account.

(h) Determination of cost - The value of electric plant retired shall be the amount at which such property is included in the electric plant accounts, including all components of construction costs. The value shall be determined from the utility’s records and if this cannot be done, it shall be estimated. When it is impractical to determine the value of each item, due to the relatively large number or small cost thereof, the average value of the items, with due allowance for any differences in size and character, shall be used for the items retired.

2.02	General Expenses Capital - Costs	197xx
	General Expenses Capital - Recoveries	198xx

These accounts will be charged with expenses which arise in connection with capital expenditure but cannot, from their nature, be charged to a specific item or project. Such charges include a portion of the salaries and associated expenses, such as travel, office supplies, vehicle expenses, equipment rentals and building maintenance, of finance, corporate and employee services, engineering and operations supervisory staff. In addition, a portion of the expenses related to small tools and equipment, pre-issued materials and pension plan expenses will be charged to these accounts. These accounts will be cleared by a percentage charge to capital expenditure by class of property.

2.03 Construction Work in Progress 7xxxx
Capitalized Overhead on Work in Progress 107xx

These accounts shall include the total of the balances of work orders for electric plant in progress of construction, including an allowance for funds used during construction (AFUDC) and an applicable portion of general expenses.

2.04 Accumulated Depreciation of Electric Plant in Service 102xx
Retirement Work in Progress 8xxxx

(a) These accounts shall be credited with amounts concurrently charged to account 409xx depreciation.

(b) At the time of retirement of depreciable electric plant, these accounts shall be charged with the amount in the plant accounts applicable to that item of property retired plus the cost of removal (8xxxx) (net of tax) and shall be credited with the salvage value and insurance recovered.

(c) For purposes of analysis, the Company shall maintain subsidiary records in which the depreciation reserve is broken down into component parts corresponding to the primary electric plant accounts which include depreciable plant. These subsidiary records shall show the current credits and debits in detail for each primary plant account.

(d) Depreciation charges shall be computed by applying on a straight-line basis the annual percentage rates applicable to the value of the plant recorded in accordance with orders issued by the Board for each class of depreciable property.

2.05 Cash and Short-Term Investments 131xx

These accounts shall include all cash balances and the cost of investments acquired for the purpose of temporarily investing cash.

2.06 Consumer Accounts Receivable 142xx

These accounts shall include amounts due from customers for utility service.

2.07 RSA Credit July 2020 14205

This account shall include transactions related to the One-Time Customer Bill Credit resulting from Order in Council *OC2020-081.*

2.08 Accounts Receivable - Accrued Revenue 14225

This account will be debited with the estimated amount of unbilled electric revenue.

2.09 Interest Assistance Program 14226

This account shall include transactions related to the Government of Newfoundland and Labrador's interest assistance program in response to the COVID-19 pandemic.

2.10 Other Accounts Receivable 143xx
Transactions with Associated Companies 1437x-1439xx
Customer Jobbing 90xxx/92xxx/93xxx

These accounts shall include amounts due from customer jobbing and contract work (90xxx/92xxx/93xxx); other accounts receivable excluding amounts due from customers for utility service (143xx); and, receivables resulting from transactions with associated companies (1437x-1439x).

2.11 Materials and Supplies 150xx

(a) These accounts shall include the cost of materials purchased for use in the electric utility business for construction, maintenance or operation purposes.

(b) It shall also include the cost of materials salvaged in connection with construction, maintenance or retirement of property, the corresponding credit being to construction, maintenance or accumulated depreciation respectively.

(c) Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense or other account on the basis of a cost price determined by the use of average method of calculation applied consistently.

(d) Physical inventory shall be taken at least annually and necessary adjustments made to bring this account into agreement with the actual inventory.

(e) This account shall also include the cost of renewable energy credits available for sale in the ordinary course of business operations. Renewable energy credits are associated with the production of clean electricity at the Company's hydroelectric generation stations.

2.12 Extraordinary Property Losses 180xx

(a) These accounts shall include, when so authorized or directed by the Board, losses in service value of property abandoned or otherwise retired from service which are not provided for by the accumulated depreciation or reserves and which could not reasonably have been foreseen and provided for. It shall include also, when so authorized or directed by the Board, extraordinary losses such as unforeseen damages to property which could not reasonably have been anticipated and which are not covered by reserves or by insurance.

(b) The entire loss in service value of depreciable property retired shall be charged to accumulated depreciation. If all, or a portion, of the loss in service value is to be included in this account, accumulated depreciation shall then be credited and this account charged with the amount properly chargeable thereto.

(c) These accounts shall be so maintained that convenient itemization may be made of all amounts included herein.

(d) Application to the Board for permission to use this account for each particular loss shall be accompanied by a statement giving a complete explanation of the nature and cause of the property loss together with a description of the property, the period over which and the accounts to which it is proposed to write off the charges, and other pertinent information.

2.13 Deferred Charges Related to Employee Future Benefits and Miscellaneous Items 186xx
Deferred Work Orders 91xxx

These accounts shall include assets related to the Company's defined benefit pension plan, other employee future benefits costs, other deferred costs as approved from time to time by the Board and all debits not elsewhere provided for in other accounts. These costs are expected to be recovered through customer rates in the future.

2.14 Rate Stabilization Account
Long Term 18647
Current 14500

These accounts shall be increased (charged) or reduced (credited) with amounts as defined by the Rate Stabilization Clause in the Company's Schedule of Rates, Rules and Regulations as approved from time to time by the Board of Commissioners of Public Utilities.

2.15 CDM Cost Deferral Account
Long Term 18801
Current 18804

These accounts shall be charged with the costs incurred in implementing the Conservation and Demand Management ("CDM") Program Portfolio.

These costs include the CDM Program Portfolio costs incurred by the Company for detailed program development, promotional materials, advertising, pre and post customer installation checks, incentives, processing applications and incentives, training of employees and trade allies, and program evaluation costs.

These accounts shall also be charged the costs of major CDM studies such as comprehensive customer end use surveys and CDM potential studies that cost greater than $100,000.

Account 18801 also includes a true-up of historical CDM costs resulting from Board Order No. P.U. 3 (2022) which increased the amortization period of deferred CDM costs from seven to ten years.

Transfers to, and from, these accounts will be tax effected.

These accounts will maintain a linkage of all costs recorded in the account to the year the cost was incurred.

Recovery of annual amortization of costs in this account shall be through the Company's Rate Stabilization Account or as otherwise ordered by the Board.

2.16 Payroll and Stores Related Overheads 19xxx

These accounts shall include all debits and credits to the various overhead accounts and rechargeable accounts. These overhead accounts include the following:

- <u>Payroll Overhead Suspense</u> 19001/19010/19100/19200

These accounts shall include the costs related to payroll such as; (i) company portion of C.P.P. and E.I., (ii) Payroll Taxes, (iii) W.H.S.C.C. Assessment, (iv) current premiums for Health and Group Life Insurance Plans, (v) current cost of vacation and statutory holidays, (vi) costs associated with personal illness and doctor's appointments, (vii) OPEB current service cost and (viii) Pension current service cost.

- <u>Recovery - Payroll Overhead</u> 19050/19150/19250

These accounts shall include the credit entry whereby payroll overhead costs are applied to all other direct labour costs using a predetermined percentage allocation.

- <u>Materials Management & Stores</u> 196xx

These accounts shall include the salaries and expenses of materials management, salaries and expenses of the central and area stores, purchase adjustments and cartage. Included also are charges allocated from Information Systems and from Building Operations and Maintenance.

- <u>Recoveries - Stores Overhead</u> 196R1

This account shall include the credit entry whereby issues from inventory and purchases processed through materials management department are charged with a predetermined overhead percentage.

2.17 Municipal Tax Account 14502

This account shall include the costs of municipal property and business taxes levied by various municipalities applicable to company owned property. Included also are the accruals for municipal revenue taxes based on using a predetermined percentage of total electrical revenue for the current year. The account is credited on a monthly basis using the amounts derived from the "Municipal Tax Adjustment" included in the electrical rates to reflect taxes charged to the company by municipalities and recoverable from all customers.

2.19 Conservation Program Loans 148xx

These accounts shall include the net costs of loans, to the electric service customers, used to finance the cost incurred by the customer for various Demand Side Management programs as offered by the company from time to time. The customer balances shall be credited on a monthly basis with the principal portion of the monthly payment.

2.20 Employee Future Benefits Regulatory Assets Account

Long Term	1864x
Current	1451x

These accounts will reflect unamortized amounts associated with the Company's employee future benefits plans as calculated in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). These accounts will include historical amounts, amounts recognized on transition to U.S. GAAP and amounts that arise in the future. For tracking purposes, these accounts will include segregated sub-accounts for each of the Company's:

(i) Defined Benefit Pension Plan;

(ii) Pension Uniformity Plan; and

(iii) OPEB Plan.

2.21 Load Research and Rate Design Cost Deferral Accounts 18400/18401

These accounts shall be charged with the costs incurred in conducting a Load Research Study and a Retail Rate Design Review (collectively, the "Studies").

These costs include: the development of a detailed framework for each of the Studies in 2022 and costs to conduct each of the Studies in accordance with the framework.

Transfers to, and from, the proposed account will be tax-effected.

The disposition of any balance in these accounts will be subject to a future order of the Board.

2.22 Electrification Cost Deferral Account

Long Term	18900/18901/18902/18909
Current	18903/18904/18905/18906

These accounts shall be charged with the costs incurred in implementing the Customer Electrification Program Portfolio in accordance with Board orders and approved electric vehicle charging infrastructure capital costs until otherwise ordered by the Board.

Electrification program costs include: detailed program development, promotional materials, advertising, pre and post customer installation checks, incentives, processing applications and incentives, training of employees and trade allies, program evaluation costs and the costs to operate Company-owned charging stations.

The account shall also be charged the costs of major studies such as pilot programs, comprehensive customer surveys and potential studies that cost greater than $100,000.

This account shall be credited with the receipt of government funding related to electrification programs and electric vehicle charging infrastructure as well as any revenues associated with the operation of Company-owned charging stations.

The account shall exclude electrification expenditures that are general in nature and not associated with a specific electrification program, such as costs associated with providing electrification awareness, and general planning, research and supervision costs.

The account shall be increased (reduced) by an interest charge (credit) on the balance in the account at the beginning of the month, at a monthly rate equivalent to the mid-point of the Company's allowed rate of return on rate base. The account will not be included in the Company’s calculation of rate base until otherwise ordered by the Board.

Transfers to, and from, the proposed account will be tax-effected.

This account will maintain a linkage of all costs recorded in the account to the year the cost was incurred.

Recovery of annual amortizations of costs in this account shall be through the Company’s Rate Stabilization Clause or as otherwise ordered by the Board.

2.23 Pension Capitalization Cost Deferral Account

Long Term	18501
Current	18500

These accounts shall be charged with amounts equal to cost impacts resulting from the change in capitalizing pension costs from the indirect method via general expenses capitalized to the direct method via a labour loader, effective January 1, 2023.

Charges to these accounts will be amortized over a five-year period commencing January 1, 2023.

Transfers to, and from the account will be tax-effected.

Capital Stock and Liabilities

3.01 Retained Earnings and Dividends Declared 215xx

(a) These accounts shall be credited with the net income each year (after dividends) or charged with the net deficit (after dividends).

(b) These accounts shall be charged or credited with material adjustments which have all four of the following characteristics:

(i) Are specifically identified with and directly related to the business activities of particular prior periods.

(ii) Are not attributable to economic events occurring subsequent to the date of the financial statements of such prior periods.

(iii) Depend primarily on decisions or determinations of persons other than management.

(iv) Could not be reasonably established prior to such decisions or determinations.

(c) These accounts shall also be charged or credited with the income tax effect of the transactions referred to in (b) above.

3.02 Weather Normalization Reserve

This account will include the balance of both:

(a) <u>Hydro Production Equalization Reserve</u> 274xx

These accounts shall include the net balance of the amounts credited or charged to it in connection with Order No. P.U. 15 (1967) of the Board, paragraph 13 of which reads as follows:

> "The Company shall maintain and create a reserve fund to which it shall credit the value of additional kilowatt hours generated in its hydro plants in years when the total precipitation is above average and to which it shall debit the cost of purchasing additional kilowatt hours in years when the total precipitation is below average. For the purpose of determining the amounts to be credited or debited to the fund, kilowatt hours shall be valued at the rate being paid in the year concerned for energy purchased by the Company from the Newfoundland and Labrador Hydro Corporation."

(b) Degree Day Normalization Reserve 275xx

By Board Order No. P.U. 1 (1974) the Company was ordered to create and maintain a reserve to which it shall credit the value of additional kilowatt hours sold for space heating when the temperature is below the normalized average temperature and to which it shall debit the value of kilowatt hours not sold due to an above normalized average temperature. On March 29, 1995, the Board approved the introduction of a coefficient to represent the estimated kilowatt hour change in energy usage, per customer, for each kilometre per hour of wind speed difference from normal. For the purpose of determining the amounts to be credited or debited to the fund, kilowatt hours shall be valued at the rate being paid in the year concerned for energy purchased by the Company.

(c) These accounts shall be debited for any amortizations of the balance in the weather normalization account as approved by the Board from time to time.

(d) These accounts shall consist of a combination of the balances in (a) and (b) above net of respective income tax effects and amortizations.

(e) By Board Order No. P.U. 13 (2013), the Company is required on March 31st of each year to transfer to the RSA, the balance in the Weather Normalization Reserve accrued in the previous year.

3.03 Contributions in Aid of Construction 271xx

(a) These accounts shall include donations, contributions in cash, services, or property from governments or others for construction purposes.

(b) Subsidiary accounts shall be maintained to show separately contributions from governments, intangible assets and other contributions.

(c) These accounts shall be amortized annually by applying a rate equal to the depreciation rate on the plant for which the contributions were made.

3.04 Deferred Income Taxes 273xx

These accounts shall include the accumulated amounts by which income taxes have been affected by:

(a) Claiming capital cost allowance for determination of taxable income in excess of depreciation charged in determining corporate income, exclusive of the impact of General Expenses Capitalized;

(b) The difference between pension funding for determination of taxable income and pension expense used in determining corporate income;

(c) The difference between claiming other post-employment benefits premiums and retirement allowances for determination of taxable income and other post-employment benefits expense charged in determining corporate income.

3.05 Excess Earnings Account 284xx

These accounts shall be credited with any regulated earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board. The established range of return on rate base is 36 basis points. For any year, all earnings in excess of 18 basis points above the approved rate of return on rate base shall, unless otherwise ordered by the Board, be credited to this account. Disposition of any balance in these accounts shall be as determined by the Board. Transfers to, and from, this account will be tax effected.

3.06 Other Post-Employment Benefits (OPEB)

Long Term	22400
Current	23502

These accounts will be credited with the actuarially determined accrued benefit obligation associated with OPEB which is measured for accounting purposes as at December 31 each year.

3.07 OPEB Cost Variance Deferral Account 24222

This account shall be charged or credited with the amount by which the OPEB expense for any year differs from that approved for the establishment of revenue requirement from rates.

OPEB expense for the year is the total of (i) the OPEB expense for regulatory purposes for the year, and (ii) the amortization of OPEB regulatory asset for the year.

Disposition of any Balance in this Account

Newfoundland Power shall charge or credit any amount in this account to the Rate Stabilization Account as of the 31st day of March in the year in which the difference arises.

If there is an application before the Board for rates based on a new test year that is anticipated to be outstanding as of the 31st day of March in a year in which the new rates are expected to become effective, then Newfoundland Power shall apply to the Board for determination of the amount to be charged or credited to the account for that year and the timing thereof.

3.08 Pension Expense Variance Deferral Account (PEVDA) 24228

This account shall be charged or credited with the amount by which the annual pension expense computed in accordance with generally accepted accounting principles for any year differs from the annual pension expense approved most recently for the establishment of revenue requirement from rates for a test year.

Disposition of any Balance in this Account

Newfoundland Power shall charge or credit any amount in this account to the Rate Stabilization Account as of the 31st day of March in the year in which the difference arises.

If there is an application before the Board for rates based on a new test year that is anticipated to be outstanding as of the 31st day of March in a year in which the new rates are expected to become effective, then Newfoundland Power shall apply to the Board for determination of the amount to be charged or credited to the account for that year and the timing thereof.

3.09 Defined Benefit Pension Plans and Other Liabilities

Long Term	242xx
Current	2350x

These accounts shall include liabilities related to the Company's defined benefit pension plans, other deferred liabilities as approved from time to time by the Board and refunds associated with refundable investment tax credits that are recognized into income in a manner that is consistent with the amortization of the capital assets to which they relate. These amounts are expected to be credited to customers in future rates.

3.10 Demand Management Incentive Account

Long Term	23257
Current	24230

These accounts shall be charged or credited with the amount by which the Demand Supply Cost Variance exceeds the Demand Management Incentive. The Demand Management Incentive equals ±1% of test year wholesale demand charges.

The Demand Supply Cost Variance expressed in dollars shall be calculated as follows:

(A – B) x C

Where:

A = actual demand supply cost in dollars per kWh determined by dividing in the calendar year by the weather normalized kWh purchases for that year (as will be reported in Return 15 of Newfoundland Power's Annual Report to the Board).

B = test year demand supply cost in dollars per kWh determined by dividing the test year wholesale demand charges by the test year kWh purchases.

C = the weather normalized annual purchases in kWh.

The amount charged or credited to these accounts shall be adjusted for applicable income taxes calculated at the statutory income tax rate.

Newfoundland Power shall file an Application with the Board no later than the 1st day of March each year for the disposition of any balance in this account.

3.12	Cost Recovery Deferral	
	Long Term	22410
	Current	24229

These accounts shall be debited or credited with amounts from time to time resulting from specific Board directives. Disposition of these amounts is subject to Board directives. Transfers to, and from, these accounts will be tax effected.

3.13	Revenue Requirement Shortfall or Surplus	22423

This account shall be debited or credited with the estimated revenue requirement shortfall or surplus resulting from timing differences associated with the implementation of revised customer rates. Disposition of these amounts is subject to Board directives.

Plant Accounts

4.01 Steam Production - Land and Land Rights 310xx

These accounts shall include the regulated value of all land devoted to steam power operations. Included also shall be the regulated value of water rights and riparian land used, or to be used, for steam power operations, where such rights have lives exceeding one year. Such regulated values shall include surveys, examination and registration of title.

4.09 Hydro Production - Land, Land Rights and Clearing 320xx

These accounts shall include the regulated value of all land for power house, canal right-of-way, pipelines, water and reservoir rights, including survey examination, registration of title and clearing of all land devoted to the development including clearing of reservoir area, dam sites, canals, pipelines and powerhouses.

Subsidiary accounts shall be maintained to show the regulated value of each separate hydro plant.

4.10 Hydro Production - Roads, Trails, Bridges and Road Diversion and Protective Works 321xx

These accounts shall include the regulated value of all permanent roads, trails, bridges, etc. used primarily in production including protective works and the regulated value of diverting or raising roads, the property of others, necessitated by the development.

4.11 Hydro Production - Buildings and Structures 322xx

These accounts shall include the regulated value of all permanent buildings and improvements and their appurtenant fixtures devoted to hydro production.

4.12 Hydro Production - Canals, Penstocks, Surge Tanks and Tailraces 323xx

These accounts shall include the regulated value attributed to the construction of these items.

4.13 Hydro Production - Dams and Reservoirs 324xx

These accounts shall include the regulated value of all dams, etc. devoted to the storage and regulation of water. This includes gates, hoisting apparatus, spillways, etc.

4.14 Hydro Production - Prime Movers, Generators and Auxiliaries 325xx

These accounts shall include the regulated value of turbines, governors, and associated equipment and generators, exciters, other auxiliaries and their cooling equipment.

4.15 Hydro Production – Switching, Metering and Control Equipment 326xx

These accounts shall include the regulated value of generator leads, station bus, circuit breakers, station service transformers, regulators, lightning arrestors, control boards, instruments and protective devices, and cables leading from switchboard to substation.

4.16 Hydro Production - Miscellaneous Power Plant Equipment 327xx

These accounts shall include the regulated value of all other power plant equipment not included above such as first cost of tools, etc. for general plant use and the installed regulated value of power and control lines to forebay and intake control.

4.17 Internal Combustion Production - Land and Land Rights 330xx

These accounts shall include the regulated value of all land for power houses, fuel tanks, pipeline and reservoir rights including cost of survey, examination and registration of title.

Subsidiary accounts shall be maintained to show the regulated value for each separate diesel plant.

4.18 Internal Combustion Production - Buildings and Structures 331xx

These accounts shall include the regulated value of all permanent buildings and improvements and their appurtenant fixtures devoted to internal combustion production.

4.19 Internal Combustion Production - Electrical Plant 332xx

These accounts shall include the regulated value of all electrical equipment for conduction, control, transformation and distribution of energy delivered by the generators, from generator terminals to the point of delivery to the transmission or general distribution system. This includes generator leads, station bus, station service transformers, regulators, lightning arrestors, circuit breakers and other associated protective devices, lines and cable.

4.20 Internal Combustion Production - Prime Movers, Generators and Auxiliaries 333xx

These accounts shall include the installed regulated value of internal combustion engines and connected generating apparatus used primarily in connection with the generation of electrical energy. This includes the regulated value of specially prepared foundations, belts, counter shafts, pulleys and other appliances between engines and generators, inlet valves, governors, ignition and starting apparatus, mufflers and exhaust silencing equipment.

4.21 Internal Combustion Production - Fuel Holders 334xx

These accounts shall include the regulated value of all equipment used for storage of fuel for internal combustion engines from the point of delivery of the supplies to the point of delivery of the fuel to the engine. This includes the regulated value of pipelines, pumps and storage tanks for liquid fuel.

4.22 Internal Combustion Production - Miscellaneous Power Plant Equipment 335xx

These accounts shall include the regulated value of all other plant equipment not previously listed, such as first cost of tools for general plant use.

4.23 Substations - Land and Land Rights 340xx

These accounts shall include the regulated value of land devoted to use of substations, including cost of survey, examination and registration of title, etc.

Subsidiary accounts shall be maintained to show the regulated value for each separate substation.

4.24 Substations - Buildings and Structures 341xx

These accounts shall include the regulated value of all permanent substation buildings and structures and their appurtenances.

4.25 Substations - Equipment 342xx

These accounts shall include the regulated value of substation equipment including specially provided foundations, switchboards, transformers, switches and other apparatus used solely to transform from one transmission voltage to another. It includes such items as tools, office furniture, fixtures, appliances permanently assigned to the substation and foundations, supporting framework, safety fences, etc.

4.26 Transmission - Land and Land Rights 350xx

These accounts shall include the regulated value of all land clearing and land, including examination, registration of title, etc. used, or to be used in connection with the transmission line system.

4.27 Transmission - Survey Cost and Easements 351xx

These accounts shall include the regulated value of right of way including surveys, cost of negotiations pertaining to easements and preparations of related documents.

4.28 Transmission - Roads, Trails and Bridges 352xx

These accounts shall include the regulated value of all permanent roads, trails, bridges and gates, used primarily in connection with operation and maintenance of the transmission system.

4.29 Transmission - Overhead Conductors and Underground Cables 353xx

These accounts shall include the regulated value of all overhead conductors, ties, armour, splices, etc. and direct buried underground cable and other related devices such as splices and potheads including associated trenching, embedding backfill and site restoration.

4.30 Transmission - Submarine Cables 354xx

These accounts shall include the regulated value of cable, potheads, etc., and labour to install.

4.31 Transmission - Poles, Towers, Fixtures and Insulators 355xx

These accounts shall include the regulated value of all transmission line poles, crossarms, insulator pins, braces, brackets, guys and other fixtures and supports and labour to install steel towers and foundations and the regulated value of transmission line insulators including labour to install.

4.32 Transmission - Manholes 356xx

These accounts shall include the regulated value of manholes and handholes in place including backfill, site restoration and equipment directly related thereto.

4.33 Transmission - Ducts 357xx

These accounts shall include the regulated value of ducts including related trenching, embedding, backfill and site restoration.

4.34 Distribution - Land and Land Rights 360xx

These accounts shall include the regulated value of surveys and easements and clearing distribution line right of way.

4.35 Distribution - Overhead Conductors and Underground Cables 361xx

These accounts shall include overhead insulated and bare wires and cables including drop wires to transformer connectors and direct buried underground cable and other related devices such as splices and potheads including associated trenching, embedding backfill and site restoration.

4.36 Distribution - Poles and Fittings 362xx

These accounts shall include the regulated value of distribution poles and fittings.

4.37 Distribution - Street Lighting 363xx

These accounts shall include the regulated value of fixtures including luminaries, relays, brackets and ballasts used exclusively for street lights.

4.38 Distribution - Transformers and Transformer Mountings 364xx

These accounts shall include the regulated value of transformers including initial filling with oil and the regulated value of transformer foundation pads and grounding bus for use with pad mounted transformers.

4.39 Distribution - Services 365xx

These accounts shall include the regulated value of services, including conductors, insulators and supports leading from the last main line distribution pole to the point of connection with the customer's wiring. It also includes the regulated value of underground services from point of connection to secondary circuit to point of entrance to customer's building including conductor, trenching, embedding, backfill and site restoration.

4.40 Distribution - Meters 366xx

These accounts shall include the regulated value of meters including the first government test, metering tanks, instrument transformers and metering cabinets. This account shall also include the first cost of installation of new or used meters.

4.41 Distribution - Manholes 367xx

These accounts shall include the regulated value of manholes and handholes in place including backfill and site restoration and equipment directly related thereto.

4.42 Distribution - Duct Banks 368xx

These accounts shall include the regulated value of ducts and related trenching, embedding, backfill and site restoration for all primary and secondary circuit installations.

4.43 General Properties - Land and Land Rights 370xx

These accounts shall include the regulated value of all land not assignable to any other account in this classification such as land for office buildings.

4.44 General Properties - Buildings and Structures 371xx

These accounts shall include the regulated value of all buildings and structures not assignable to any other account in this classification such as office buildings, storage sheds, etc.

4.45 General Properties - Office Equipment 372xx

These accounts shall include the regulated value of all office service equipment not permanently attached to buildings such as desks, chairs, tables, moveable safes, filing cabinets, drafting room equipment, etc. These accounts shall also include the cost value of paintings and the regulated value of all training equipment.

4.46 General Properties - Stores Equipment 373xx

These accounts shall include the regulated value of equipment used in shipping, handling and storing supplies.

4.47 General Properties - Shop Equipment 374xx

These accounts shall include the regulated value of all equipment and tools that cannot be properly allocated to any other account, such as motors, welding equipment, power tools, frames, hoist and like shop equipment.

4.48 General Properties - Laboratory and Testing Equipment 375xx

These accounts shall include the regulated value of all meter and other testing apparatus and laboratory equipment not provided for elsewhere.

4.49 General Properties - Miscellaneous Equipment 376xx

These accounts shall include the regulated value of any other miscellaneous equipment not provided for elsewhere.

4.50 General Properties - Engineering Equipment 377xx

These accounts shall include the regulated value of equipment obtained for the exclusive use of the Engineering staff.

4.51 General Properties - Transportation Equipment 378xx

These accounts shall include the regulated value of automobiles, trucks, trailers, tractors, snowmobiles, etc. and garage equipment.

4.52 General Properties - Computer Hardware and Software 379xx

These accounts shall include the regulated value of network infrastructure and personal computers including all associated equipment and also the regulated value of all systems and application software packages.

4.53 Telecommunications - Land and Land Rights 380xx

These accounts shall include the regulated value of all land clearing and land, including examination, registration of title, etc. used, or to be used in connection with the telecommunications system.

4.54 Telecommunications - Mobile Radios 381xx

These accounts shall include the regulated installed value of mobile and fixed transceivers used for purposes of communicating between company owned vehicles and fixed locations including portable radios, pagers, base stations and radio switches.

4.55 Telecommunications - Radio Sites 382xx

These accounts shall include the regulated value of the infrastructure required to house equipment for the broadcasting of radio communications signals including roads, buildings, towers and antennas.

4.56 Telecommunications - Radio Equipment 383xx

These accounts shall include the regulated installed value of electronic equipment required to broadcast radio communications signals and interface to other systems including VHF radio repeaters, UHF links and telephone trunk interfaces.

4.57 Telecommunications - Cables and Protection 384xx

These accounts shall include the regulated installed value of all cables, including metallic and fibre optic, and associated protective equipment used for carrying communications signals between specific or different locations.

4.58 Telecommunications - Multiplex Equipment 385xx

These accounts shall include the regulated installed value of equipment used to combine multiple varied communications signals into one aggregate communications signal for transmission across the system including data concentrators, fibre optic link equipment and wide area network equipment.

4.59 Telecommunications - SCADA Master 386xx

These accounts shall include the regulated installed value of equipment required for remote control of the power system that is housed in a control centre including computers, software, display systems, auxiliaries, switches, modems, mimic boards, consoles and chart recorders.

4.60 Telecommunications - RTU and Supervisory 387xx

These accounts shall include the regulated installed value of remote terminal units and hardwired supervisory equipment required for remote control of the power system and located in company substations and generating plants.

4.61 Telecommunications - Standby Power 388xx

These accounts shall include the regulated installed value of equipment used for the purpose of supplying continuous power to telecommunications equipment including battery chargers, battery banks, inverters, generators and uninterruptible power supplies.

4.62 Telecommunications - Telephone Equipment 389xx

These accounts shall include the regulated installed value of company owned equipment used for the purpose of providing telephone service to company offices and locations including handsets and telephone switching equipment.

4.63 Telecommunications - Power Line Carrier 390xx

These accounts shall include the regulated installed value of equipment used to pass communications signals over power lines including protective relay interfaces and high voltage interface equipment.

4.64 Telecommunications - Test Equipment 391xx

These accounts shall include the regulated value of telecommunications test equipment used in installing and maintaining the telecommunications system.

Operating Revenues

5.01 Miscellaneous Non-Consumer Revenue 4x5xx
40700

These accounts shall include:

(a) Rental of electric plant leased to others;

(b) Revenues derived from electric energy supplied to consumers for any classifications not otherwise provided for or to other utilities;

(c) Fees and charges for changing, connecting and disconnecting service;

(d) Profit or sale of material and supplies not ordinarily purchased for resale;

(e) Wheeling charges;

(f) Statement preparation fees;

(g) NSF cheque charges;

(h) Income from customer jobbing and contract work;

(i) Rentals from leased property other than electric plant;

(j) Interest revenues derived from:

(i) operation of Rate Stabilization Fund;

(ii) contributions country homes;

(iii) income tax refunds;

(iv) conservation and demand management programs;

(v) interest on overdue customer accounts as defined within the Rates, Rules and Regulations; and

(vi) interest on cash balances and other cash investments.

(k) Amortizations of deferred revenues as approved time to time by the Board;

(l) The cost of funds used for construction purposes based upon a calculation whereby construction work in progress and expansion inventory are financed based on the Company's weighted average cost of equity as approved by the Board for ratemaking purposes. AFUDC shall be charged to the work upon which the funds are expended and the amount of materials and supplies inventory identified as expansion inventory. The period for which cost of equity is capitalized shall be limited to the period of construction. No cost of equity shall be included with expenditures for construction projects which have been abandoned; and,

(m) Interest charged (credited) on the balance in the electrification cost deferral account at the beginning of the month, at a monthly rate equivalent to the mid-point of the Company's allowed rate of return on rate base.

5.02 Pole Related Revenues 416xx
Joint Use Revenues 4x590

These accounts shall include joint use revenue related billings to the CATV companies and revenues related to pole installations and other work as required by telecommunications companies. These accounts shall also include revenue related to the sale of renewable energy credits.

5.03 Accrual of Unbilled Revenue 41113

This account will be credited or debited with the change in the estimated amount of accrued unbilled electric revenue on a monthly basis.

5.04 Deferred Revenues – PEVDA 41114

This account shall be credited with the current year revenue impact of the amount by which the annual pension expense computed in accordance with generally accepted accounting principles for any year differs from the annual pension expense approved most recently for the establishment of revenue requirement from rates for a test year.

5.05 Deferred Revenues – OPEB Variance Deferral Account 41115

This account shall be credited with the current year revenue impact of the amount by which the annual OPEB expense computed in accordance with generally accepted accounting principles for any year differs from the annual OPEB expense approved most recently for the establishment of revenue requirement from rates for a test year.

5.06 Deferred Revenues - CDM Cost Recovery Transfer 41117

This account shall be credited with the amortization of annual customer energy conservation program costs. In accordance with Board Order No. P.U. 3 (2022), commencing January 1, 2021, annual customer energy conservation program costs are deferred and amortized over the subsequent ten-year period.

Income Deductions

6.01 Other Interest 401xx

These accounts shall include interest paid or accrued on credit facility loans, bank loans, promissory notes, other unfunded debt of the utility and customer deposits.

6.02 Debt Component of AFUDC 402xx

These accounts shall include the cost of funds used for construction purposes based upon a calculation whereby construction work in progress and expansion inventory are financed based on the Company's weighted average cost of debt as approved by the Board for ratemaking purposes. AFUDC shall be charged to the work upon which the funds are expended and the amount of materials and supplies inventory identified as expansion inventory. The period for which interest is capitalized shall be limited to the period of construction. No interest shall be included with expenditures for construction projects which have been abandoned.

6.03 Depreciation and Amortization 409xx

These accounts shall include the Depreciation and Amortization expense for the period covered by the income accounts applicable to property, plant and equipment in service. These accounts will be credited with the amount of contributions in aid of construction amortized (see paragraph 3.03) and debited/credited by any depreciation/amortizations or adjustments for depreciation reserve variances as determined through a Depreciation Reserve Study and approved by the Board.

6.04 Weather Normalization Reserve 408xx

These accounts shall include the amounts transferred to and from the Weather Normalization Reserve referred to in paragraph 3.02.

6.05 Excess Earnings Account 40Rxx

These accounts shall be charged or credited with a transfer to or from Excess Earnings Account as the Board directs from time to time.

6.06 Extraordinary Income or Expenses 40Sxx

These accounts shall include only material gains or losses which by nature are not typical of the Company's normal business activities, are not expected to occur regularly over a period of years and are not considered as recurring factors in any evaluation of the ordinary operating processes of the business.

6.07 Other Contract Expenses 417xx

These accounts shall include operating expenses associated with contracts from customers, as identified in Accounting Standard Codification (ASC) Topic 606.

Operating Expenses

7.01 Power Purchased 500xx

These accounts shall include the cost of all firm and secondary power purchased from Newfoundland and Labrador Hydro and applicable amortizations as approved by the Board from time to time.

7.02 Transfer (to) from Rate Stabilization Account 50004

This account shall include the transfer to or from account 14500 (Rate Stabilization Account) in order to provide a proper matching of revenue and expenses as a result of changes to the Rate Stabilization Plan between the Company and Newfoundland and Labrador Hydro as approved annually by the Board.

7.03 Power Produced - Generation Plan 510xx

These accounts shall include the salaries and expenses of Company personnel, and any other expenses incurred in the development of generation expansion policy, integrated resource planning and least cost planning.

7.04 Power Produced - Hydro Production 512xx

These accounts shall include the salaries and expenses of plant supervision and operators engaged in operating the plants. Included also are the cost of supplies, tools and maintenance of buildings, structures, grounds and equipment used in the production process. Taxes and assessments in lieu of rentals, and rentals paid for the use of and/or rights to the use of water used for generation of electrical energy are also included.

7.05 Power Produced - Internal Combustion Plants 513xx

These accounts shall include the salaries and expenses of plant superintendents and operators engaged in operating the plants. Included also are the costs of fuel, lubricants, supplies, tools, maintenance of buildings, structures, grounds and equipment used in the production process.

7.06 Power Produced - Wind Turbines 514xx

These accounts shall include the salaries and expenses of personnel engaged in the operation and maintenance of wind energy systems used to produce electrical energy.

7.07 Supervisory and Administrative Support 5200x

These accounts shall include that portion of the salaries and expenses of the directors, supervisory engineers and supporting staff that are engaged in the operation of the electrical system generally and which cannot properly be allocated to any specific work orders or account numbers.

7.08 System Operations 522xx

These accounts shall include the salaries and expenses of engineers and supporting staff, supervisors and operators engaged in operating the system control centre. Included also are the costs of fuel, supplies, tools, maintenance of buildings, grounds and load control centre equipment.

7.09 Tools, Equipment, Safety Clothing and Company Uniforms 525xx

These accounts shall include the repair or replacement of normally expendable tools, equipment, instruments, safety clothing and Company uniforms, and the salaries and expenses of personnel engaged in the testing of powerline technician's rubber gloves. Tools costing in excess of $1,000 should not be charged to this subclass but to a capital work order designated for this purpose.

7.11 Engineering and Technical Support 5205x

These accounts shall include the salaries and expenses of the technical and supporting staff of the engineering departments that cannot properly be assigned to any specific work order or operating account.

7.12 Environmental Policy 53xxx

These accounts shall include:

(a) the cost of labour and expenses incurred in connection with the management and development of environmental policies;

(b) the cost of carrying out environmental audits;

(c) the cost of cleaning up petroleum product spills, including those from oil-filled electrical equipment, storage tanks and vehicles;

(d) the cost of disposal and decontamination of PCB and non-PCB insulating oil and of waste oil from equipment, including the cost of identification and new oil;

(e) the cost of maintaining approved PCB storage sites, including routine inspections and correction of deficiencies;

(f) the cost of any special environmental clean-up projects;

(g) the cost of addressing enquiries and of remedial action taken concerning leaching from chemically-treated poles and timbers; and,

(h) any and all costs incurred in addressing electromagnetic field (EMF) enquiries.

7.13 Substations 54xxx

These accounts shall include the salaries and expenses of supervisors and operators engaged in the operation and maintenance of Company substations. Included also are the costs of fuel and supplies and the labour, materials and expenses in connection with the maintenance of buildings, structures, grounds, substation equipment, commissioning and protective relaying.

7.14 Transmission - Line Maintenance and Repairs 550xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of overland and underground transmission lines, including maintenance and repair of transmission line conductors, insulators, poles and fixtures; transmission line cables, potheads and auxiliary equipment such as oil reservoirs and maintenance of conduits and manholes; and, the repair and/or replacement of normally expendable tools and instruments used for this work.

7.16 Transmission - Line Inspections 554xx

These accounts shall be charged with cost of labour, material and expenses incurred in connection with the inspection of overland and underground transmission lines, including maintenance of and access to rights-of-way.

7.17 Transmission - Line Vegetation Management 555xx

These accounts shall be charged with the cost of labour, material and expenses incurred in connection with the chemical treatment or mechanical clearing of transmission line right-of-way.

7.18 Distribution - Repair / Maintain Lines 561xx

These accounts shall include the cost of labour, material and expenses incurred in connection with: repairs to poles, guys, fixtures, conductors, and insulators that are not properly chargeable to any other account. This includes replacement of items less than property unit size, such as wire under 3 spans (i.e. 3 spans of 1 wire or 1 span of 3 wires), insulators, pins, switches, crossarms, braces, conduit, and associated trouble calls; repairs to underground conductors and fittings, including circuit breakers, switches, cut-outs, relays & control wiring, conductors, splices, load break elbows, grounds, minor duct repairs, manholes, sewer connections, vaults, and repairing and moving junction boxes and potheads; repairs to submarine cables forming part of the Company's distribution system; and, the planned maintenance of overhead and underground distribution lines, i.e. itemized in long-range schedules such as the annual budget.

7.19 Distribution - Repair / Maintain Services 563xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance and testing of customers' services, and associated trouble calls.

7.20 Distribution - Repair / Maintain Street Lights 564xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of: overhead street lighting systems, including replacement of items less than unit property size such as bulbs, refractors, ballasts, overhead wiring used solely for street lighting, and associated trouble calls; and underground wiring applicable to street lighting systems.

7.22 Distribution - Pre-Issue of Materials 565xx

These accounts shall include the cost of all small Stores items that are available for use by line crews.

7.23 Distribution - Maintain Transformers 566xx

These accounts shall include the cost of labour, material and expenses incurred in connection with: the maintenance of transformers that are in service, including fusing, and the inspection and repair of transformers that have been removed from service; and, the replacement of distribution transformers (Note: The capital cost of transformers is not charged to this account). Maintenance of transformer mountings and maintenance or replacement of cut-outs used for sectionalizing lines shall be charged to 561xx. PCB testing of transformers shall be charged to 53xxx.

7.25 Distribution - Maintain Meters 567xx

These accounts shall include the cost of labour, material and expenses incurred in connection with: the maintenance of metering equipment, including the replacement of damaged meters and all charges associated with the area meter shops; and, Government Retest Orders and Compliance Retest Orders. (Note: (1) The cost of Government seals on new meters shall be charged to the appropriate capital work order. (2) The capital cost of new meters is not charged to this account.)

7.32 Distribution - Line Inspections 574xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the inspection of distribution lines. Line inspections required to restore electrical service are properly chargeable to 561xx.

7.33 Distribution - Line Vegetation Management 577xx

These accounts shall include the cost of labour, material and expenses incurred in connection with: chemical treatment of distribution line right-of-way; pruning dangerous trees along distribution line right-of-way; and, mechanical clearing of distribution line right-of-way.

7.37 Telecommunications - Supervision and Miscellaneous 580xx

These accounts shall include the salaries and expenses of the director and other supporting staff engaged in the operation and maintenance of the telecommunication system.

7.38 Telecommunications - Repeater Sites 581xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of the Company owned radio equipment and sites. This shall include buildings, towers, antenna, standby power, repeaters and links.

7.39 Telecommunications - Mobile Radios 582xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the radio system mobile units. This shall include mobiles, fixed mobiles, portables, pagers and cellular phones.

7.40 Telecommunications - Communication Cables 583xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of Company owned communication cables (metallic and fibre optic). This shall include terminations, protection and pole lines (when the line is for the exclusive use of the communication cable).

7.41 Telecommunications - Leased Facilities 584xx

These accounts shall include labour and the cost of rental or lease for telecommunication facilities (excluding telephone systems) not owned by the Company. This shall include voice/data circuits (including FX lines), building and tower space.

7.42 Telecommunications - Supervisory Control Systems 585xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of remote supervisory control systems including master stations, remote terminal units and standby power systems. This shall include the costs of computer maintenance and software support.

7.43 Telecommunications - Telephone Systems 586xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of Company owned equipment used for the purpose of providing telephone service to Company offices and locations.

7.44 Telecommunications - Wide Area Networks 587xx

These accounts shall include the cost of labour, material and expenses incurred in connection with the maintenance of Company owned equipment used for the purpose of consolidating communication voice/data traffic for transmission. This shall include concentrators, modems and bridges.

7.45 Customer Service - Supervision and Miscellaneous 605xx

These accounts shall include the cost of salaries and expenses for supervisors and supporting staff involved in the administration of the Customer Service Department.

7.46 Customer Service - Customer Accounting 607xx

These accounts shall include the cost of labour, materials and expenses incurred in association with: regulation, policy and systems; billing; meter reading; and cash control.

7.47 Customer Service - Credit and Collections 608xx

These accounts shall include the cost of labour, materials and expenses incurred in connection with credit and collections.

7.48 Customer Service - Call Centre 609xx

These accounts shall include the cost of labour, materials and expenses incurred in connection with activities relating to the operation of the customer call centre.

7.49 Customer Service - Conservation Programs and Energy Services Costs 626xx-629xx

These accounts shall include the salaries and expenses of staff engaged in the internal and external programs promoting the wise and efficient use of electrical energy and associated consumer products. These accounts will also include education and outreach expenses, planning and administration expenses and specific conservation program costs. Charges for specific conservation program costs (629xx) in the year will be credited with a corresponding debit to the Deferred Conservation Program Costs Account (188xx) on an annual basis as approved by the Board.

7.50 Customer Service - Uncollectible Bills 61521

This account shall include the cost of the annual provision for uncollectible bills.

7.51 Financial Services - Finance 612xx

These accounts shall include the cost of labour, materials and expenses of the director and all other supporting staff performing the functions of the Head Office Finance Department including accounts payable, accounts receivable, payroll, cost and plant, general ledger and financial reporting and budgeting.

7.52 Financial Services - Risk Management 615xx

These accounts shall include the cost of labour, materials and expenses incurred in connection with risk determination for the setting of insurance coverage and of claims processing. Insurance premiums and actual claims paid to customers shall be charged to account 655xx.

7.53 Financial Services - Employee Future Benefits - Pensions 642xx

These accounts shall include the Company's costs of providing the various pension arrangements it has with its employees.

7.54 Financial Services - Amortization of Conservation Costs 690xx

These accounts shall include the annual amortization of Conservation related costs. These deferred costs are charged initially to Account 188xx (Deferred Conservation Program Costs).

7.57 Information Systems - Supervision and Miscellaneous 630xx

These accounts shall include the salaries and expenses of the director and supporting staff in supervising the activities for the efficient operation of the information systems department.

7.58 Information Systems - Computer Operations 631xx

These accounts shall include the salaries and expenses of the personnel involved in the operation and maintenance of a central computer facility. Provide technical support and training to all parts of the company with respect to personal computers, information systems technology and computer-based applications.

7.59 Information Systems - Systems Development and Support 632xx

These accounts shall include the salaries and expense of the personnel involved in the coordination and development of corporate information systems. This will also include the planning and managing, in conjunction with the user departments, of the design, acquisition, programming, testing, operation and maintenance of information systems.

7.60 Information Systems - Infrastructure 633xx

These accounts shall include the salaries and expenses of the personnel involved in the support and maintenance of the Company's information technology infrastructure including operating systems, server hardware and computer networks. This will also include the planning and managing, in conjunction with user departments, of the design, acquisition, testing, operation and maintenance of information technology infrastructure.

7.65 Printing Services 617xx

These accounts shall include the salaries and expenses of personnel engaged in the operation of the Printing Services Department, including the cost of paper, materials and supplies used in photocopying and offset printing, and rental and maintenance cost of related equipment. The cost of printed forms and supplies used to produce forms in-house is initially charged to this account and recovered by way of a credit to the account as the completed forms are transferred to Inventory.

7.67 Corporate Communications 621xx

These accounts shall include the salaries and expenses of the manager and all other supporting staff engaged in the internal and external communications programs, advertising and public relations activities. This account shall also include other costs associated with corporate communications.

7.68 Customer Service - Curtailable Rates 62550

This account shall include the salaries and expenses associated with the administration of the curtailable rate program.

7.69 Net Metering Policy 62200

This account shall include the salaries and expenses associated with the administration of the Company's Net Metering Service Option.

7.70 Corporate Offices 650xx

These accounts shall include the cost of management supervision. Included are the salaries and expenses of the President, Vice Presidents and their supporting staff and any other whose services are not assignable to any other department. Also included are costs related to directors' fees, trustees' fees, registrars' fees, external audit fees, and dividend and bond coupon expenses. This subclass includes any inter-company transactions between Fortis Inc. and the Company which are properly assignable.

7.71 Internal Audit 653xx

These accounts shall include the salaries and expenses of the senior manager and supporting staff to carry out an audit program designed to assess the accuracy and reliability of Company records, ensure the security and the prevention of the misuse of Company assets and help maintain and improve the efficiency of Company operations.

7.72 Miscellaneous Administrative Costs 655xx

These accounts shall include:

(a) Non-regulated expenses;

(b) Public liability arising from claims, accidents and damages incurred in day-to-day operations which are not covered by insurance;

(c) Insurance coverages;

(d) Salaries, rentals and other expenses of operating the main office telephone system and associated equipment;

(e) Bank charges;

(f) Office equipment rentals and maintenance; and,

(g) Employee share purchase plan discounts.

7.73 Mail Costs 61610

This account shall include the salaries and expenses of personnel engaged in the operation of the Head Office Mailroom. This subclass shall not include the direct costs for billing envelopes and postage which are included in subclass 607xx.

7.74 Regulatory and Legal Affairs 65700

This account shall include the salaries and expenses of the director and supporting staff engaged in legal and regulatory services, rate design and load research, statistical data and reports on customers, revenue and energy use, customer, energy and revenue forecasts and submissions for various studies and hearings.

7.75 Human Resources Planning and Administration 64020

This account shall include the salaries and expenses of the director and other supporting staff involved in supervision of the Human Resources Department and providing human resources services such as planning and administration.

7.76 Health, Safety and Training 6403x

These accounts shall include the salaries and expenses of the director and other supporting staff in providing human resources services such as health, safety and training.

7.77 Employee Relations 64040

This account shall include the salaries and associated expenses of the director and other supporting staff involved in employee relations activities.

7.78 Miscellaneous Employee Related Costs 64xxx

These accounts shall include costs related to the operation of the employees' associations; Company lunchrooms and cafeterias; research centre; and, all other miscellaneous employees' costs.

7.79 Financial Services – OPEB Costs 643xx

These accounts shall include costs related to providing various post-employment benefits arrangements to employees including payment of health and life insurance premiums, retirement allowances and other costs associated with employees' welfare. These accounts shall also include any amortizations of other post-employment benefits assets as approved from time to time by the Board of Commissioners of Public Utilities.

7.81 Building Operations and Maintenance 67xxx

These accounts shall include the rental of office space, salaries of property utility persons, light and furnace oil bills, cleaning and maintenance costs of head office and area and regional office buildings, warehouse and service buildings and fixtures, and other office expenses of a general nature not specifically chargeable to any other account. Cost categories exist within this account to track the cost of building rentals, building operations, building repairs, maintenance of grounds, snow clearing, warehouse operations and warehouse repairs.

7.82 Municipal Taxes and PUB Assessments 656xx

These accounts shall include the costs of taxes and assessments related to:

(a) Transfers from the Municipal Tax Adjustment account 14502 in order to provide a proper matching of revenues and expenses on an annual basis; and,

(b) Annual assessments levied by the Board against the revenue raised by the Company.

7.85 Individual Vehicle Operating and Maintenance Costs 59000
Vehicle Service Centre 37xxx

The 59000 account shall include all costs associated with the maintenance and operation of all company vehicles. Each vehicle in the fleet is assigned its own unique project number and all costs for the vehicle will be recorded using that number. A portion of these costs will be recharged (allocated) to capital projects based on labour.

The 37xxx accounts shall include all expenses associated with the operation of the vehicle service centre. These expenses are recovered by allocating to individual vehicles on a monthly basis. The balance in this account should be cleared to zero at year end.

NEWFOUNDLAND POWER INC.

ANNUAL RETURNS

TO

THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

PROVINCE OF NEWFOUNDLAND AND LABRADOR

INSTRUCTIONS

(1) In the following instructions relating to the annual returns to be rendered by Newfoundland Power Inc. to the Board of Commissioners of Public Utilities of the Province of Newfoundland and Labrador:

- the “Company” means Newfoundland Power Inc.;
- the “Board” means the Board of Commissioners of Public Utilities for the Province of Newfoundland and Labrador.

(2) In accordance with the provisions of Sections 58 and 59 of the *Public Utilities Act*, the Company shall submit to the Board, in each calendar year, the returns and information enumerated herein, which will relate to its business and affairs during the preceding calendar year.

Return Number	Description
1	Annual Report of the Company to Shareholders Together with the Report of the Auditors
2	Names and Places of Residence of Directors and Officers
3	Computation of Average Rate Base
4	Plant Investment
5	Capital Expenditure
6	Accumulated Depreciation
7	Contributions in Aid of Construction
8	Deferred Charges
9	Regulatory Deferrals
10	Other Rate Base Assets and Liabilities
11	Materials and Supplies Allowance
12	Cash Working Capital Allowance
13	Return on Average Rate Base & Determination of Excess Earnings
14	Details of Normalized Sales and Revenue
15	Normalized Production and Sales Statistics
16	Rate Stabilization Account
17	Weather Normalization Reserve
18	Demand Management Incentive Account
19	Pension Expense and OPEB Cost Variance Deferral Accounts
20	Statement of Operating and General Expenses
21	Explanation of Expense Variances
22	Calculation of Taxable Income and Income Tax Expense

23	Accumulated Deferred Income Taxes
24	Average Regulated Capital Structure
25	Cost of Embedded Debt
26	Explanation of Variances in Cost of Debt
27	Regulated Return on Average Common Equity
28	Assessable Revenue

(3) Annual Report of the Company to Shareholders Together With the Report of the Auditors - Return 1:

The Company shall provide the annual report of the Company to its shareholders, together with the report of its auditors on the financial statements contained therein.

(4) Names and Places of Residence of Officers and Directors - Return 2:

The names and places of residence of officers and directors at December 31 in the report year shall be listed and any changes made up to filing the return.

(5) Computation of Average Rate Base - Return 3:

This return will show the computation of the Company's rate base at December 31 and the average rate base for the year ended on that date. The rate base shall be calculated in accordance with the provisions of the *Public Utilities Act* and the rulings made by the Board.

(6) Plant Investment - Return 4:

This return shall include:

(a) Analysis of plant accounts for the year as shown for each classification:

(i) balance at the beginning of year

(ii) adjustments during the year

(iii) additions during the year

(iv) retirements during the year

(v) balance at the end of the year as shown in the Company's financial statements.

(b) Reconciliation of the balance shown in (a)(v) above with the plant investment included in the Company's average rate base (Return 3 above).

(c) Reconciliation of the balance shown in (b) above with the capital assets in the Company's annual report (Return 1 above).

(7) Capital Expenditure - Return 5:

This return will include an analysis of actual capital expenditures for each plant classification, and compared to amounts approved by Board Orders for the year.

(8) Accumulated Depreciation - Return 6:

This return shall include the following:

(a) Analysis of the accumulated depreciation account for the year showing:

(i) balance at the beginning of the year

(ii) provision for depreciation during the year

(iii) salvage credited to the account during the year

(iv) cost of removal charged to the account during the year

(v) retirements charged to the account during the year

(vi) balance at end of year as shown in the Company's financial statements.

(b) Reconciliation of the accumulated depreciation shown in (a)(vi) above with the amount deducted in the Company's average rate base (Return 3 above).

(c) Classified depreciation rates used to calculate the annual depreciation provision and method of calculation.

(9) Contributions in Aid of Construction - Return 7:

This return shall include:

(a) An analysis of the account showing:

(i) balance of the account at the beginning of the year

(ii) contributions made during the year

(iii) amortization credited to operations during the year

(iv) balance at the end of the year as shown by the Company's financial statements.

(b) A reconciliation of the balance shown in (a)(iv) above with the amount deducted from the Company's average rate base (Return 3).

(10) Deferred Charges - Return 8:

This return shall show for each deferment:

(a) An analysis of the account showing:

(i) balance at the beginning of the year

(ii) amount deferred during the year

(iii) amount amortized during the year

(iv) balance at the end of the year as shown by the Company's financial statements (Return 1).

(11) Regulatory Deferrals - Return 9:

This return shall show for each asset and liability:

(a) An analysis of the account showing:

(i) balance at the beginning of the year

(ii) amounts charged during the year

(iii) amounts amortized during the year

(iv) balance at the end of the year as shown by the Company's financial statements.

(12) Other Rate Base Assets and Liabilities - Return 10:

This return shall show for each asset and liability:

(a) An analysis of the account showing:

(i) balance at the beginning of the year

(ii) changes to account balance during the year

(iii) balance at the end of the year as shown by the Company's financial statements.

(13) Materials and Supplies Allowance - Return 11:

This return shall include:

Details by month including the opening balances of materials and supplies included in the Company's average rate base (Return 3 above).

(14) Cash Working Capital Allowance - Return 12:

This return shall include:

The Company's calculation of the allowance for working capital included in the Company's average rate base (Return 3) for financing operating costs and current income tax expense.

(15) Return on Average Rate Base & Determination of Excess Earnings - Return 13:

This return shall show:

(a) The net income of the Company after income taxes and transfers, as shown by the Company's financial statements.

(b) The adjustments to (i) the net income of the Company as shown in (a) above to reflect the regulated earnings of the company and (ii) the regulated return on rate base calculated in accordance with the provisions of the *Public Utilities Act* and the decisions of the Board related thereto.

(c) The average rate base for the year.

(d) The rate of return on the average rate base.

(e) The maximum amount of allowed regulated earnings as determined by the upper limit of the allowed rate of return on rate base.

(f) The actual regulated earnings of the Company.

(g) Any regulated earnings in excess of the upper limit of the allowed range of return on rate base as determined by the Board.

(16) Details of Normalized Sales and Revenue - Return 14:

(a) The operating revenues included in the financial statements of the Company (Return 1) shall be analyzed to show the major sources of revenue.

(b) The return shall also show for each major class of customer:

(i) the kWh sales

(ii) the number of customers

(iii) the revenue.

(17) Normalized Production and Sales Statistics - Return 15:

This return shall show:

(a) the kWh purchased and produced by the Company

(b) the kWh sold and used by the Company

(c) the kWh loss

(d) the kWh loss expressed as a percent of the total produced and purchased.

(18) Rate Stabilization Account - Return 16:

This return shall show on a month to month basis an analysis of this account indicating:

(a) Month

(b) Opening balance

(c) Revenue billed during month

(d) Transfer of balance of Municipal Tax Account

(e) Excess fuel costs

(f) Secondary energy costs

(g) Interest costs

(h) Transfer to (from) Newfoundland and Labrador Hydro

(i) Closing balance

(j) Other adjustments as approved by the Board from time to time.

(19) Weather Normalization Reserve - Return 17:

This return shall include:

(a) Analysis of the account showing:

(i) balance at the beginning of the year

(ii) amount added or deducted for "Degree Day Normalization" during the year

(iii) amount added or deducted for "Hydro Production Equalization" during the year

(iv) other adjustments and/or amortizations as approved by the Board from time to time

(v) balance at the end of the year as shown by the Company's financial statements

(b) Details of the calculation of the amounts added to or deducted from the account during the year.

(20) Demand Management Incentive Account - Return 18:

This return shall show the dollar value of the variance amount by which the Demand Supply Cost Variance exceeds the Demand Management Incentive. The Demand Management Incentive equals ±1% of test year wholesale demand charges.

(21) Pension Expense and OPEB Costs Variance Deferral Accounts - Return 19:

An analysis of the account showing:

(a) Actual pension and OPEBs costs for the year

(b) Test Year pension and OPEBs costs for the year

(c) Variance from test year for pension and OPEB's costs for the year

(d) Total variance amounts transferred to the Rate Stabilization Account in the year.

(22) Statement of Operating and General Expenses - Return 20:

(a) The operating expenses included in the Company's financial statements (Return 1) shall be analyzed to show the major categories of expense including:

(i) purchased power

(ii) power produced

(iii) administrative and engineering support

(iv) environmental policy

(v) substations

(vi) transmission

(vii) distribution

(viii) telecommunications

(ix) fleet operating and maintenance expenses

(x) customer service

(xi) financial services

(xii) information systems

(xiii) pension costs

(xiv) retirement allowances

(xv) corporate and employee services

(xvi) transfers to general expenses capital.

(b) A reconciliation of the above expenditures with those included in the Company's annual report (Return 1).

(23) Explanations of Expense Variances - Return 21:

This return shall provide explanations of variances between operating expenses for the year and those for the previous year, as outlined in Return 20.

(24) Calculation of Taxable Income and Income Tax Expense - Return 22:

This return shall show the reconciliation of the taxable income of the Company with the income shown by the Company's financial statements and the calculation of the income tax expense of the Company.

(25) Accumulated Deferred Income Taxes - Return 23:

This return shall include the following:

(a) Analysis of the accumulated deferred income taxes account showing:

(i) balance at the beginning of the year

(ii) increase for the year

(iii) adjustments for the year

(iv) balance at the end of the year as shown by the Company's financial statements.

(b) Reconciliation of the accumulated deferred tax shown in (a)(iv) above with the amount deducted in determining the Company's average rate base (Return 3 above).

(26) Average Regulated Capital Structure - Return 24:

This return shall show the year-end and average capital structure of the Company at December 31.

(27) Cost of Embedded Debt - Return 25:

This return shall show the annual cost of the embedded debt at December 31.

(28) Explanation of Variances in Cost of Debt - Return 26:

This return shall show the actual annual cost of embedded debt, the estimated annual cost of embedded debt included in the Company's current test year, the variance between the two, and an explanation of any significant variances.

(29) Regulated Return on Average Common Equity - Return 27:

This return shall show the calculation of the regulated average common equity at December 31 of each year, the earnings applicable to common shares as determined in the Company's annual report (Return 1), and an adjustment for non-regulated expenses net of income tax as determined by the Board. The regulated earnings are divided by the regulated average common equity to determine the rate of return on regulated average common equity for the year.

(30) Assessable Revenue - Return 28:

This return shall show the calculation of annual assessable revenue as determined by taking the weather normalized revenue from rates (from Return 14) and adding the weather normalization adjustment (from Return 17), municipal taxes billed, amounts billed to customers through the operation of the Rate Stabilization Account (from Return 16) and other revenue (from Return 14).

(31) The returns shall be filed and shall be accompanied by a certificate under oath of an authorized officer of the Company.

NEWFOUNDLAND POWER INC.

System of Accounts
Summary of Revisions

March 31, 2025

Changes to the System of Accounts

Accounts

1. The following account was added:

Operating Expenses (section 7.69)	62200 – This account was added to capture costs associated with the administration of the Company's Net Metering Service Option. This account has been used by the Company since the net metering service option was approved by the Board in Order No. P.U. 17 (2017). Its exclusion from the Company's System of Accounts was in error and is rectified by this addition.

2. The following account definition was updated:

Capital Stock and Liabilities (section 3.12)	22410/24229 – Definition updated to include reference to income tax effects.

3. Minor wording changes were made to some accounts in order to improve the clarity and accuracy of the account description. Minor wording changes were also made to Return 13 and the instructions related to this Return, to add additional clarification on the calculation of the Company's regulated return on rate base using the weighted average cost of capital approach.

4. Where appropriate the summary of accounts was updated to reflect the changes to the accounts noted above.

NEWFOUNDLAND POWER INC.

Load Research and Rate Design Update

March 31, 2025

NEWFOUNDLAND POWER
A FORTIS COMPANY

Load Research and Rate Design Update
March 31, 2025

TABLE OF CONTENTS

1.0 INTRODUCTION

On December 30, 2022, Newfoundland Power Inc. ("Newfoundland Power" or the "Company") filed its *Load Research and Rate Design Framework* (the "Framework") in accordance with Order No. P.U. 3 (2022). Newfoundland Power's *Load Research and Rate Design Update – March 28, 2024* was provided to the Board as part of the Company's 2023 Annual Return.[1]

In Order No. P.U. 3(2025) in relation to Newfoundland Power's *2025/2026 General Rate Application*, the Board requested Newfoundland Power to provide updates every six months on the status of its Load Research Study and Rate Design Review, on or before April 1, as part of its annual return and also on September 30 each year.[2]

The *Load Research and Rate Design Update – March 31, 2025* provides an update to Newfoundland Power's load research and rate design activities and plans since the *Load Research and Rate Design Update – March 28, 2024* was provided to the Board.

2.0 BACKGROUND

Periodic reviews of Newfoundland Power's rate designs are necessary to ensure the Company's rate designs are consistent with good rate making principles and consider utility cost dynamics. Customer load research is periodically required to ensure the appropriate allocation of costs to Newfoundland Power's customer rate classes.

A review of Newfoundland Power's rate designs is timely considering changes to supply cost dynamics resulting from the integration of the Muskrat Falls Project into the provincial electrical system. On May 16, 2024, the Provincial Government announced the finalization of its Rate Mitigation Plan. This provides greater clarity in the near term in relation to customer rate increases associated with the Muskrat Falls Project and Newfoundland and Labrador Hydro ("Hydro") until 2030.[3] In Order No. P.U. 1 (2025), and in accordance with a settlement agreement in relation to Newfoundland Power's *2025/2026 General Rate Application*, Hydro's Utility rate to Newfoundland Power was revised to ensure that energy charges from Hydro to Newfoundland Power more closely reflect Hydro's marginal cost of energy and to mitigate customer rate volatility.[4]

Customer load research during this period also provides updated customer load profiles and data that are necessary to evaluate current customer end use activities and cost recovery within Newfoundland Power's various rate classes.

[1] The *Load Research and Rate Design Update – March 28, 2024* was provided to the Board in accordance with the Board's January 23, 2023 letter *Re: Newfoundland Power Inc. – Load Research and Rate Design Framework Request for Annual Updates*.

[2] See Order No. P.U. 3 (2025), page 58, lines 30-32.

[3] See Government of Newfoundland and Labrador News release *Provincial Government Announces Finalization of Rate Mitigation Plan*, May 16, 2024.

[4] See Order No. P.U. 1 (2025).

3.0 LOAD RESEARCH

Load research data is used to assess the reasonableness of cost recovery from each customer rate class. The information gathered is used to determine the portion of system demand costs that should be recovered from each customer class. Load research data provides estimates of class demand on the system at specific times.

The Island Interconnected System is a winter peaking system. Customer demand requirements are approximately twice as high in winter months than in summer months. Generation and transmission demand costs are allocated by customer classes in the cost of service study based on each customer classes' contribution to the winter system peak (i.e., based on coincident peak).[5] Distribution demand costs are allocated based on the relative size of the class peak demands (i.e., based on non-coincident peak).

3.1 Load Research Study Update

Newfoundland Power completed a number of milestones related to its Load Research Study in 2024. These included: (i) meter procurement; (ii) completion of field testing of load research meters and integration into Newfoundland Power's metering and billing systems; (iii) completion of customer recruitment activities; and (iv) installation of meters on the customer premises.

Meter Procurement

Newfoundland Power ordered the load research meters in September 2023 following feedback from the Consumer Advocate, Hydro, and the Board (together, the "Parties") in relation to the DNV *Load Research Study Plan*.[6] Newfoundland Power received a small quantity of load research meters in early 2024 to facilitate field testing and meter integration. The remainder of the load research meters necessary to facilitate the Load Research Study were received by Newfoundland Power starting in September 2024.[7]

Meter Integration and Field Testing

Collection of customer load research data requires integrating new load research meters into the Company's existing metering and billing systems. It also involves establishing a secure network protocol to allow the load research consultant, DNV, to securely access the customer load data on a routine basis. This is to ensure accurate collection of customer load data with minimal impact on customers.

---

5 This is referred to as the single coincident peak method (1 CP). For the purposes of the Load Research Study, the system peak is based on the time of Hydro's system peak because the majority of Newfoundland Power's generation and transmission demand costs are related to Hydro's assets.

6 DNV completed its *Load Research Study Plan* on June 15, 2023. The *Load Research Study Plan* was circulated to the Parties on June 16, 2023. The load research meters were ordered once feedback from the Parties was received and incorporated into the *Load Research Study Plan* in August 2023.

7 Delivery of the full order of load research meters took approximately 12 months due to supply chain constraints and associated delays.

In 2024, Newfoundland Power successfully integrated the new load research meters with its existing metering system and Customer Care & Billing System ("CC&B").[8] The integration involved collaboration between the Company's technology, metering, and customer service teams, in addition to the Company's Rates and Cost Specialist and DNV. The integration of the new load research meters was successfully field tested to validate the load research technology prior to the widespread installation of the load research meters throughout the Company's service territory.

Customer Recruitment

The *Load Research Study Plan* included the development of a sample of customers in Newfoundland Power's Domestic and General Service rate classes that would provide the appropriate level of precision from which to base conclusions.[9] Based on feedback from the Parties, the size of the Residential sample was increased to accommodate residential customers with electric vehicles and with heat pumps and/or electric furnaces.

Each customer selected to participate in the Load Research Study was contacted by mail, email and a phone call when necessary. To prepare for any customer inquiries, Newfoundland Power conducted training with its customer service representatives. In addition, the Company developed a series of frequently asked questions ("FAQs") that would assist the customer service representative in responding to any customer questions.

Newfoundland Power utilized a customer opt-out approach in its customer recruitment strategy.[10] The Company provided its customers with a 10-day period to opt-out of the Load Research Study. Following the replacement of a customer's meter with a new load research meter, a notification was left at the premise to inform the customer their meter was replaced with a new load research meter. Approximately 4% of the customers selected to participate in the Load Research Study opted not to participate. Those customers were replaced with other customers in the same rate class with similar characteristics.

Meter Installation

In advance of meter delivery in September 2024, Newfoundland Power developed a plan to install the load research meters on customer premises. The plan included assessing the geographic location, rate classes and meter type of the customers participating in the Load Research Study. Once the meters were received by Newfoundland Power, they were dispatched and installed on the customer premise. All meters were successfully installed throughout the Company's service territory by December 1, 2024 in advance of the 2024-2025 winter season.

---

8 The CC&B system was commissioned and brought into service in August 2023, replacing Newfoundland Power's legacy Customer Service System ("CSS").

9 The level of precision used by DNV was ±10% at a 90% level of confidence. See DNV *Load Research Study Plan, June 15, 2023,* page 5, footnote 1.

10 The opt-out strategy was recommended by DNV. See DNV *Load Research Study Plan, June 15, 2023*, page 15.

3.2 2025 Load Research Activities

Procurement of meters, integration and testing of the meters with Newfoundland Power's metering and billing systems, customer recruitment, and installation of meters in 2024 have enabled the Company to begin collecting the necessary customer load data.

Key elements of the Load Research Study that are planned for the remainder of 2025 include completion of data collection for the 2024-2025 winter season, validating, editing and estimating the data, and analyzing the customer load data. A report from DNV will be circulated to the Parties following the analysis of the customer load data collected over the 2024-2025 winter season. Collection of customer load data will continue throughout 2025 and into the 2025-2026 winter season. This will require continued review of the customer sample and potential installation of additional load research meters to ensure the statistical integrity of the customer load data is maintained.

3.3 Updated Load Research Study Cost Estimate

Newfoundland Power has updated its cost estimate to reflect Load Research Study progress to date. Table 1 provides the updated cost estimate.

Table 1:
Updated Cost Estimate
Load Research Study
($000s)

Description	2022	2023	2024	2025E	2026E	Total
Internal Labour	15	73	111	100	90	389
External Labour	--	42	48	120	110	320
Metering Costs	--	--	325	60	60	445
Total	**15**	**115**	**484**	**280**	**260**	**1,154**

Costs incurred for the Load Research Study in 2024 are primarily related to: (i) meter procurement and installation; (ii) integration and field testing of the load research meters with Newfoundland Power's metering and billing systems; (iii) customer recruitment; and (iv) installation of the meters at customer premises. Costs in 2024 were lower than estimated.[11] This is primarily due to use of internal Newfoundland Power resources to complete meter integration activities and the lower cost of installing meters throughout the service territory.

[11] Costs associated with the Load Research Study in 2024 were $484,000. This compares to estimated costs of $620,000 as detailed in the *Load Research and Rate Design Update – March 28, 2024*, page 4.

4.0 Rate Design

Newfoundland Power serves approximately 277,400 customers. This includes approximately 241,400 Domestic Customers, 24,500 General Service Customers, and 11,400 Street and Area Lighting Customers. The majority of the Company's Domestic customers' rates include monthly Basic Customer Charges and a flat kWh energy rate.[12] General Service customers' rates include monthly Basic Customer Charges, demand charges that vary by season, and energy charges that vary depending on monthly consumption.[13] Street and Area Lighting customers pay a monthly rate based on the type and size of equipment installed.

The standard for assessing the appropriateness of customer rate design is guided by the Criteria of Sound Rate Structure described by James Bonbright in *Principles of Public Utility Rates.*[14] These criteria include effectiveness, practicality, stability, efficiency, and fairness. The Board has previously recognized these criteria in establishing customer rates.[15]

4.1 Rate Design Review Update

Newfoundland Power completed Phase One of its Rate Design Review in 2024. This included completion of the Christensen Associates ("Christensen") *Rate Design Review: Phase 1* report (the "Phase One Report") which was provided to the Parties on April 2, 2024.

The Phase One Report included: (i) a review of Newfoundland Power's existing rates; (ii) a review of Newfoundland Power's existing metering capabilities; (iii) anticipated changes in Newfoundland Power's marginal supply costs; (iv) a review of customer rates in other Canadian jurisdictions; and (v) a description of alternatives that should be considered in Phase Two of the Rate Design Review.

The review of Newfoundland Power's existing rates concluded that Newfoundland Power's customer rates are simple, stable, recover costs fully, and are structured to provide marginal price signals.[16] The Phase One Report also acknowledged the limitations of Newfoundland Power's existing metering system which cannot support implementation of complex rate designs including time-varying pricing.[17]

The Phase One Report included information on anticipated changes to Hydro's Utility rate charged to Newfoundland Power. The anticipated changes included a two-tier declining block structure with the tier-2 price reflecting some measure of market-based energy prices.[18] Since

---

12 Approximately 1,200 of Newfoundland Power's customers avail of the Domestic Seasonal – Optional rate which includes seasonal energy charges for consumption during December through April and May through November. Domestic Seasonal – Optional customers are charged the same monthly Basic Customer Charge as all other Domestic customers. Domestic customer Basic Customer Charges are dependent on the size of the customer's service (i.e. those not exceeding 200 Amp Service, and those exceeding 200 Amp Service). Newfoundland Power's Domestic customer rates also include a 1.5% early payment discount.

13 Newfoundland Power's three General Service Rate Classes include: Rate 2.1 0-100 kW (110 kVA); Rate 2.3 110 kVA (100 kW) – 1000 kVA; and Rate 2.4 1000 kVA and Over. General Service customer charges also include a 1.5% early payment discount, a Minimum Monthly Charge, and a Maximum Monthly Charge.

14 Bonbright, *Principles of Public Utility Rates,* Public Utilities Reports, 1988, Pages 383-384.

15 See, for example, Order No. P.U. 19 (2003).

16 Christensen Associates, *Rate Design Review: Phase 1*, April 1, 2024, page 8.

17 Ibid, page 9.

18 Ibid, page 12.

the Phase One Report was provided to the Parties, Hydro's Utility rate to Newfoundland Power was revised.[19] The new Utility rate includes a two-tier inclining block energy rate during the winter months and a two-tier declining block energy rate during the non-winter months.[20] The actual change in the Utility rate will be considered in Phase Two of the Rate Design Review.

The jurisdictional review included in the Phase One Report consisted of 16 Canadian utilities, including Newfoundland Power. The jurisdictional review demonstrated that Newfoundland Power's current rates are comparable to the default rates of other Canadian jurisdictions. The review also identified emerging rate alternatives that are being employed by Canadian and U.S. utilities to address a wide variety of challenges and rate making goals.[21]

The Phase One Report indicated that Newfoundland Power seems well-positioned with its current rate designs. The Phase One Report recommended Newfoundland Power leave current rate designs in place, adjusting the customer, energy, and demand charges to ensure full cost recovery under Hydro's new price levels and to more adequately reflect changes in Hydro's marginal costs. The Phase One Report also recommended consideration of seasonal prices for the Company's default rate designs, a dual electric space heating rate, and a longer-term curtailable rate for large customers.[22]

The results of the Phase One Report were presented to the Parties on August 14, 2024. The Parties were invited to provide a response to the Phase One Report including expert reports and any additional data or analysis. Comments were received from the Parties by September 13, 2024.

4.2 2025 Rate Design Review Activities

Newfoundland Power commenced Phase Two of the Rate Design Review in 2025. This follows: (i) the completion of Phase One of the Rate Design Review; (ii) additional clarity regarding cost recovery associated with the Muskrat Falls Project due to finalization of the Provincial Government rate mitigation plan; and (iii) the establishment of a new Utility rate charged from Hydro to Newfoundland Power to more accurately reflect supply costs.

Key tasks planned for 2025 include: (i) establishing a customer engagement plan with feedback from the Parties; (ii) conducting customer engagement activities; (iii) completion of a distribution marginal cost study; (iv) working with Christensen to establish an appropriate model for assessing Newfoundland Power's existing rates and rate design alternatives; and (v) modelling rate designs and completing technical analysis to inform future rate designs.

Newfoundland Power will also be incorporating the direction of the Board following its Order in relation to Newfoundland Power's *2025/2026 General Rate Application* in its 2025 Rate Design Review activities. This includes: (i) evaluation of the reasonableness of the existing rate

---

19 See Order No. P.U. 1 (2025).

20 Historically, the Utility rate to Newfoundland Power included a tier 1 energy charge and a tier 2 energy charge that were applicable throughout the year. The new Utility rate approved by the Board, includes a tier 1 and tier 2 energy charge for the months of January, February, March, and December and separate tier 1 and tier 2 energy charges for the months of April through November.

21 Christensen Associates, *Rate Design Review: Phase 1*, April 1, 2024, page 56.

22 Ibid, page 55.

structure and cost recovery for Memorial University and other customers primarily served by transmission assets;[23] and (ii) a review of the Company's general service contribution policy for transmission assets.[24]

4.3 Updated Rate Design Review Cost Estimate

Newfoundland Power has updated its cost estimate to reflect Rate Design Review progress to date. Table 2 provides the updated cost estimate.

Table 2:
Updated Cost Estimate
Rate Design Review
($000s)

Description	2022	2023	2024	2025E	2026E	Total
Internal Labour	13	57	61	65	40	236
External Labour	--	70	93	190	52	405
Customer Engagement	--	--	--	70	30	100
Total	**13**	**127**	**154**	**325**	**122**	**741**

Costs incurred in 2024 are primarily related to completion of the Phase One of the Rate Design Review. Costs in 2024 were lower than estimated.[25] This is primarily due to Newfoundland Power's *2025/2026 General Rate Application* which delayed Newfoundland Power's ability to conduct customer engagement activities. Costs in 2025 and 2026 are primarily related to Phase Two of the Rate Design Review including customer engagement activities and a technical analysis of Newfoundland Power's customer rates. Costs in 2025 and 2026 are higher than the previous estimate due to pricing received from a third-party customer engagement specialist, and the additional requirement for the Company to complete a review of Newfoundland Power's General Service contribution policy for transmission assets.[26]

The overall estimated cost associated with the Load Research Study and the Rate Design Review is consistent with the *Load Research and Rate Design Framework*.[27]

---

23 See Order No. P.U. 3 (2025), page 59, lines 27-30.
24 Ibid, page 60, lines 26-27.
25 Costs associated with the Rate Design Review were $154,000 in 2024. This compares to estimated costs of approximately $205,000 as detailed in the *Load Research and Rate Design Update – March 28, 2024,* page 6.
26 Newfoundland Power will consult with the Parties prior to commencing customer engagement activities.
27 The overall estimated cost of the Load Research Study and Rate Design Review, as detailed in the *Load Research and Rate Design Framework* provided to the Board on December 30, 2022, was $1,900,000. The current overall estimate is $1,895,000.