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October 14, 2025

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Application for Approval of a Proposed Cloud Cost Deferral Account

Enclosed is Newfoundland and Labrador Hydro's ("Hydro") application for approval of a deferral account to enable the deferral and recovery of cloud-based computing implementation costs.

Hydro's application, particularly Schedule 1 to the application, provides support for the requested deferral account. The proposed account definition is included in Attachment 1 to Schedule 1.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/rr/mc

Encl.

ecc:

Board of Commissioners of Public Utilities
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Approval of a Proposed Cloud Cost Deferral Account

October 14, 2025

An application to the Board of Commissioners of Public Utilities

newfoundland labrador hydro

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for an Order pursuant to the *Act*, for the approval of a deferral account for the costs incurred in implementing cloud-based software solutions.

To: The Board of Commissioners of Public Utilities ("Board")

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2024*, is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.

2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submit for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations which relate to that service.

3. Section 80 of the *Act* requires that a public utility be entitled to earn annually a just and reasonable return as determined by the Board on the rate base as fixed and determined by the board for each type or kind of service supplied by the public utility.

4. Cloud-based computing arrangements, where the customer contracts to pay a fee for the right to access a supplier's application through the internet or via a dedicated line on an as-needed basis, have become more common as a model for securing information systems software and applications.

5. Hydro's use of cloud-based computing arrangements is predicted to increase as more vendors move offerings and products to the cloud. Increasingly, service providers are responding to requests for proposals with cloud-based models only.

6. Under cloud-based computing arrangements, customers typically incur two types of costs: one-time, upfront implementation costs and annual subscription fees, compared to the traditional on-premises model which includes upfront implementation costs and upfront software and related infrastructure purchase costs.

7. Under International Financial Reporting Standards ("IFRS"), implementation, purchase of software, and related infrastructure costs of traditional on-premises applications are considered long-term assets and capitalized on a company's Statement of Financial Position, in accordance with IAS[1] 38 *Intangible Assets*.

8. IFRS does not contain explicit guidance on the accounting treatment for cloud computing arrangements or the costs to implement them. Judgement is often required when determining appropriate accounting treatment for these transactions. Interpretation of IFRS in industry practice typically requires costs pertaining to cloud-based solutions be expensed in a company's operating costs as incurred, including both upfront implementation costs and annual subscription fees, as the arrangement is viewed as a service contract.

9. Cloud computing applications are typically in use by utilities for several years. One-time, upfront implementation costs for cloud-based software solutions can be significant and, if expensed as incurred, this results in a mismatch between the timing of costs and the benefit to customers, creating intergenerational equity issues.

10. Hydro's information systems projects are generally initiated through the regulatory capital budget application process as Hydro does not typically know whether a solution for a proposed project will be a cloud-based or on-premises solution until the completion of the procurement process, at the earliest. This process is necessary to facilitate Board approval of any potential capital expenditures in accordance with the *Public Utilities Act*. Projects which are forecast as capital in Hydro's general rate application that are later determined to be cloud-based and then treated as operating costs will result in both depreciation and operating expenditure variances from test year. These variances may be significant and may result in exclusion of certain implementation costs and annual subscription fees from customer rates.

11. Alternatively, cloud-base arrangement costs which are forecast to go into service in a test year may inflate the operating expenses for that rate setting year if it is later determined that the

[1] International Accounting Standard ("IAS").

solution will be implemented as on-premises and therefore treated as capital expenditures. Further discussion of the implications of cloud-based or on-premises solutions is provided in Schedule 1 to this application.

B. Application

12. Hydro proposes the creation of a Cloud Cost Deferral Account that will hold one-time upfront implementation costs and other directly attributable costs for cloud-based arrangements that would otherwise have been capitalized had the implementation model been a more traditional on-premises solution. Hydro is proposing the deferral account be effective January 1, 2025 and that the deferral amount be included in Hydro's regulated rate base. The proposed definition for the Cloud Cost Deferral Account is provided in Attachment 1 to Schedule 1 to this application.

13. As further detailed in Schedule 1, Hydro's proposal is that the implementation costs portion of the Cloud Cost Deferral Account be amortized over Hydro's unit of property depreciation rate for similar software assets, representing an estimate of the expected benefit period.

14. Certain information systems are common and will be used by all lines of business within the Hydro group of companies. For those systems, costs that are determined to be applicable to other lines of business will be recovered in accordance with Hydro's Intercompany Transactions Costing Guidelines. The cost recovery of the implementation costs plus applicable return on rate base on those costs which have been charged to the non-regulated lines of business will be included in Hydro's revenue requirement as a credit to ensure only the costs applicable to servicing Hydro's regulated business are recovered from customers.

15. Approval of the proposed Cloud Cost Deferral Account would enable Hydro to capture the implementation costs associated with cloud-based computing arrangements and ensure recovery from customers over a period better representing the transfer of benefit.

C. Newfoundland and Labrador Hydro's Request

16. Hydro requests that the Board make an Order approving:

(i) the Cloud Cost Deferral Account Definition, as provided in Attachment 1 to Schedule 1 of this application, allowing Hydro to defer the implementation costs associated with cloud-based computing arrangements effective January 1, 2025;

(ii) the inclusion of the deferral amount in rate base; and

(iii) the amortization of the implementation costs included in the deferral over Hydro's unit of property depreciation rate for similar software assets.

D. Communications

17. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

DATED at St. John's in the province of Newfoundland and Labrador on this 14th day of October 2025.

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro
500 Columbus Drive, P.O. Box 12400
St. John's, NL A1B 4K7
Telephone: (709) 685-4973

Schedule 1

Cloud Cost Deferral

Contents

List of Attachments

1.0 Introduction

On June 23, 2021, the Government of Newfoundland and Labrador ("Government") announced that the operations of Nalcor Energy ("Nalcor") would be moved to Newfoundland and Labrador Hydro ("Hydro").[1] In December 2024, the *Hydro Corporation Act, 2007* was repealed and replaced by the *Hydro Corporation Act, 2024*, finalizing the legal amalgamation of Nalcor and Hydro.

Amalgamation did not result in substantial change to Hydro's operations. Nalcor had been exempt from the *Public Utilities Act*[2] and Hydro continues to be exempt from the *Public Utilities Act* for its activities relating to the majority of Nalcor's assets that became Hydro's as a result of amalgamation. However, an exception to this are assets related to information systems.

Hydro's activities and expenditures related to these assets are now subject to approval by the Board of Commissioners of Public Utilities ("Board"). Hydro's information systems related capital projects now include information systems software and infrastructure assets that are commonly used across all lines of business. Therefore, effective January 1, 2025, Hydro must apply to the Board for approval of expenditures related to any new information systems capital projects.

Information systems is a shared service amongst Hydro's regulated and non-regulated operating segments and associated applications and infrastructure will be used by all lines of business within the Hydro group of companies. Hydro will utilize the shared-services model, particularly the approved Intercompany Transaction Costing Guidelines, to share costs appropriately. The Board has previously accepted this approach for sharing costs amongst entities, in Board Order No. P.U. 27(2022), indicating that where information sharing is required in the context of the corporate structure, the shared-services approach is preferable to a standalone model. In accordance with the allocation methodology, it is estimated that the regulated line of business will be directly responsible for approximately 57% of costs of applicable information systems applications and infrastructure. [3,4] In addition, approximately 9% of the costs are forecast to be charged to the Lower Churchill entities, which the regulated business will

[1] "Premier Furey and Minister Parsons Announce Nalcor Operations Moving Under Newfoundland and Labrador Hydro," Government of Newfoundland and Labrador – Executive Council – Industry, Energy and Technology, June 23, 2021. <https://www.gov.nl.ca/releases/2021/exec/0623n04/>

[2] Section 17 of the *Energy Corporations Act* stated that Nalcor was not a public utility and the *Public Utilities Act* did not apply to the corporation.

[3] Hydro notes that the percentage of costs allocated to the regulated line of business did not change as a result of the amalgamation of Nalcor and Hydro.

[4] These estimated percentages are those resulting from Hydro's most recent review of its Intercompany Transactions Costing Guidelines which Hydro anticipates to be provided to the Board in advance of the next general rate application. As a result of this review, there was no material change in the allocation methodology for costs associated with information systems assets.

ultimately pay for through the charges to Hydro under the Muskrat Falls Power Purchase Agreement and the Transmission Funding Agreement.

1.1 Cloud-based Computing Arrangements

Technology has evolved in recent years and cloud-based computing arrangements have become more common as a model for securing information systems software and applications. Cloud-based computing arrangements are those where the customer contracts to pay a fee for the right to access a supplier's application through the internet or via a dedicated line on an as-needed basis, i.e. to gain access to servers, storage and applications without having to own, manage, or operate any of the underlying facilities or computing assets subscription fees. Common types of cloud-based computing arrangements include: software as a service ("SaaS"), platform as a service ("PaaS"), and infrastructure as a service ("IaaS"). This is a fundamental shift in the delivery of information systems services as, historically, most organizations, including Hydro, owned their own software on site at their facilities; this is commonly referred to as an "on-premises" delivery model.

Hydro's use of cloud-based computing arrangements is predicted to increase as more vendors move offerings and products to the cloud. Increasingly, service providers are responding to requests for proposals with cloud-based models only. In its Cloud Computing Costs report prepared for the Ontario Energy Board,[5] KPMG stated that there are many noted benefits driving the adoption of cloud-based computing arrangements, including improved security and recovery options, easier scalability, and rapid access to new applications and services. In addition, KPMG noted that some organizations have found that they can achieve cost savings by implementing cloud-based solutions when compared to on-premises costs.

Under cloud-based computing arrangements, customers typically incur two types of costs: one-time, upfront implementation costs and annual subscription fees, compared to the traditional on-premises model which includes upfront implementation costs and upfront software and related infrastructure purchase costs.[6]

[5] "Cloud Computing Costs – Regulatory Options for the Treatment of Cloud Computing Costs," KPMG LLP, September 8, 2023. https://www.oeb.ca/sites/default/files/Appendix-B-KPMG-Report-on-Cloud-Computing-Costs-20231102.pdf ("KPMG Report").
[6] On-premises applications also attract fees on an annual basis for licensing and support.

1.2 Accounting for Cloud-based Computing Arrangements

International Financial Reporting Standards ("IFRS") do not contain explicit guidance on the accounting treatment for cloud computing arrangements or the costs to implement them. Judgement is often required when determining appropriate accounting treatment for these transactions.

Under IFRS, implementation, purchase of software, and related infrastructure costs of traditional on-premises applications are considered long-term assets and capitalized on a company's Statement of Financial Position, in accordance with IAS[7] 38 *Intangible Assets*.

In contrast, interpretation of IFRS in industry practice typically requires costs pertaining to cloud-based solutions be expensed in a company's operating costs as incurred, including both upfront implementation costs and annual subscription fees, as the arrangement is viewed as a service contract.[8] Cloud computing applications are typically in use by utilities for several years. One-time, upfront implementation costs for cloud-based software solutions can be significant and, if expensed as incurred, this results in a mismatch between the timing of costs and the benefit to customers, creating intergenerational equity issues.

Hydro proposes its information systems projects through the regulatory capital budget application process as Hydro does not typically know whether a solution for a proposed project will be a cloud-based or on-premises solution until the completion of the procurement process, at the earliest.[9] This process is necessary to facilitate Board approval of any potential capital expenditures in accordance with the *Public Utilities Act*. Projects which are forecast as capital in Hydro's general rate application that are later determined to be cloud-based and therefore treated as operating costs will result in both depreciation and operating expenditure variances from test year. These variances may be significant and may result in excluding the portion of the implementation costs and annual subscription fees of certain cloud-based arrangements applicable to servicing the regulated business from customer rates. On the contrary, cloud-base arrangement costs which are forecast to go into service in a test year may inflate the operating expenses for that rate setting year if it is later determined that the solution will be implemented as on-premises. These factors are out of Hydro's control if the rate application or decision

[7] International Accounting Standard ("IAS").
[8] There are limited circumstances where certain implementation costs qualify as long-term assets under IAS 38 *Intangible Assets.*
[9] If a situation arises where a project is known to be a cloud-based solution in the planning stage in advance of procurement, and is therefore not a capital project, Hydro will continue to follow the same or a similar process and seek Board approval prior to the deferral of any cloud-based implementation costs.

for the applicable test year occurs before the technology solution for a particular project has been selected.

1.3 Forecast Cloud-based Computing Costs

Table 1 outlines Hydro's forecast information systems project costs over the next six years. It is estimated that up to 50% of these project costs could be cloud-based arrangements. Assuming the costs of cloud-based and on-premises solutions are similar, this results in an estimated average annual cost of $3.9 million[10] which could potentially be cloud-based and be recorded as operating costs versus capital costs.

In addition, it is anticipated that the percentage of Hydro's information systems projects that include cloud-based arrangements may increase in the future. The creation of Hydro's proposed Cloud Cost Deferral Account would capture these costs and ensure recovery from customers, over a period better representing the transfer of benefit.[11]

Table 1: Forecast Information Systems Project Costs 2025–2030 ($000s)[12]

2025	2026	2027	2028	2029	2030
1,971	7,590	9,761	11,523	8,640	6,784

For the reasons outlined above, and as further outlined below, Hydro is proposing to establish a Cloud Cost Deferral Account.[13]

2.0 Application

Hydro's proposed Cloud Cost Deferral Account will hold one-time upfront implementation costs and other directly attributable costs for cloud-based arrangements that would otherwise have been capitalized had the implementation model been a more traditional on-premises solution.

Hydro is proposing the deferral account be effective January 1, 2025 and that the deferral amount be included in Hydro's regulated rate base. The effective date of January 1, 2025 coincides with the

[10] Average forecast annual information systems costs from Table 1 above using the upper end of the range for potential cloud-based arrangements of 50%: ($1,971+$7,590+$9,761+$11,523+$8,640+$6,784) *1000/6*50%.
[11] It should be noted that a portion of costs will ultimately be recovered from Hydro's non-regulated lines of business and only the net costs applicable to servicing regulated customers will be included in Hydro's revenue requirement.
[12] Forecasts are based on assumptions and information available at a point in time and are subject to change. 2026–2030 forecast is based on Hydro's five-year capital plan as submitted in its 2026 Capital Budget Application.
[13] Establishment of Cloud Cost Deferral Accounts for utilities reporting under IFRS has been completed in practice in other jurisdictions in Canada, such as British Columbia and Ontario.

effective date of the amalgamation of Nalcor and Hydro and the commencement of information systems projects being incurred in Hydro's regulated line of business. In the past, these types of costs would have been incurred in Nalcor and charged to the regulated line of business through an admin fee in accordance with the Intercompany Transactions Costing Guidelines. In addition, the implementation of cloud-based applications is new to the Hydro group of companies. An effective date of January 1, 2025 allows Hydro to capture its cloud-based application implementation costs, ensuring these costs are treated consistently and are recovered from customers over a period better representing the transfer of benefit.

2.1 Implementation Costs Deferral

The Cloud Cost Deferral Account is proposed to include all incremental cloud computing implementation costs incurred associated with new information systems projects approved by the Board[14] that are directly attributable to the project and would have been eligible for capitalization had the project been an on-premises solution. Types of implementation costs that will be deferred may include, but are not limited to, detailed project planning, configuration and customization and testing. Other costs associated with implementation that are not eligible for capitalization under IFRS rules if a more traditional on-premises approach was taken will not be deferred, such as training and change management costs. Hydro is also proposing to include Interest During Construction applied to the incurred implementation costs in the deferral account, consistent with the treatment of Hydro's capitalized on-premises solutions and other capital projects.

The deferral of these one-time upfront implementation costs to the proposed Cloud Cost Deferral Account will provide for a better match of the cost and the customer benefit as these cloud-based arrangements are typically multi-year terms. The KPMG Report also noted that deferral options that allow implementation costs to be recorded and then recovered over the period of the contract, resulted in the better matching of costs to benefits and allowed for recovery more evenly through the period of service.

[14] Hydro proposes its information systems projects through the regulatory capital budget application process as Hydro does not typically know whether a solution for a proposed project will be a cloud-based or on-premises solution until the completion of the procurement process, at the earliest. If a situation arises where a project is known to be a cloud-based solution in the planning stage, and is therefore not a capital project, Hydro will continue to follow the same or a similar process and seek Board approval prior to the deferral of any cloud-based implementation costs.

In addition, if project implementation costs were planned as capital and not operating costs in a rate setting test year, and the chosen solution was cloud-based, Hydro would not recover the actual costs from ratepayers in the absence of this deferral. The opposite scenario also creates a mismatch, where implementation costs were planned as operating in a rate setting test year, and the chosen solution was on-premises, the associated balance recovered from customers in that year would be too high in the absence of this deferral.

2.1.1 Illustrative Example

The discussion below illustrates the difference in accounting treatment between a project which is implemented through a traditional, on-premises model versus a cloud-based application model. Table 2 outlines Hydro's assumptions and Table 3 outlines the accounting treatment by cost type. For illustrative purposes, Hydro has assumed that the total cost and the useful life of each option are the same.

Table 2: Assumptions by Arrangement[15]

Assumption ($ millions)	On-premises	Cloud-based
Implementation Costs	2.0	2.0
Software and related infrastucture purchase costs	4.0	-
Total annual usage fees over the term of the arrangement	-	4.0
Total Cost	6.0	6.0
Useful life of the Software / Arrangement (years)	10	10

Table 3: Accounting Treatment by Arrangement[16]

Cost Type	Accounting Treatment	Year 0 - Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Traditional On-premises Solution													
Implementation Costs	Capital	2.0											
Software Costs	Capital	4.0											
	Total Capital Costs	**6.0**											
	Depreciation Expense		**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**6.0**
Cloud-based Application													
Implementation Costs	Operating Costs	2.0											2.0
Subscription Fees	Operating Costs		0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.0
	Total Operating Costs	**2.0**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**6.0**

As shown in Table 3, a traditional on-premises solution results in the capitalization of implementation and software purchase costs that are then depreciated over the useful life of the asset evenly at $0.6

[15] Currently, Hydro's Intangible Assets related to information systems on-premises software solutions are amortized over 7 to 10 years, depending on the nature of the software.

[16] Analysis ignores return on rate base for the purpose of simplicity.

million per year. The cloud-based application solution results in the full balance of $2.0 million in upfront implementation costs being recognized as incurred, followed by the annual subscription fee of $0.4 million per year over the assumed ten-year term of the arrangement. The illustration shows that, despite the software functionality and customer benefit being the same under both solutions, the potential impact on customer rates differs, driven by the accounting treatment.

2.1.2 Proposed Recovery Period

Hydro is proposing the implementation costs portion of the Cloud Cost Deferral Account be amortized over Hydro's unit of property depreciation rate for similar software assets, representing an estimate of the expected benefit period.[17] This would result in essentially the same treatment for the cloud-based implementation costs as if they were an on-premises solution, as shown in Table 4 which uses the same illustrative example outlined in Section 2.1.1.

Table 4: Proposed Accounting Treatment of Cloud Cost Deferral

Cost Type	Accounting Treatment	Year 0 - Implementation	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Cloud-based Application - Deferral													
Implementation Costs	Regulatory Asset - Deferral	2.0											
Amortization of Deferral	Operating Costs		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0
Subscription Fees	Operating Costs		0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	4.0
	Total Operating Costs		**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**	**6.0**

For clarity, the next test year would include implementation costs associated with projects that are known to be cloud-based and forecast to be complete prior to the next test year and implementation costs for those projects which are in progress prior to the start of the next test year and forecast to be complete within the next test year. This amortization period ensures that the costs of the project are passed on to customers in a manner that is consistent with the benefit.

For information systems that are common and used by all lines of business within the Hydro group of companies, costs deemed to be applicable to serving other lines of business will be recovered in accordance with Hydro's Intercompany Transactions Costing Guidelines. The cost recovery of the implementation costs plus applicable return on rate base on these costs to date will be included in Hydro's revenue requirement as a credit to ensure only those costs applicable to servicing the regulated business are recovered from customers. Therefore, as the implementation costs are amortized, Hydro

[17] Currently, Hydro's Intangible Assets related to information systems on-premises software solutions are amortized over 7 to 10 years, depending on the nature of the software.

will only include the calculated net portion of costs applicable to serving the regulated business and regulated customers in its revenue requirement.

Hydro is proposing the amortization of the implementation costs included in the Cloud Cost Deferral Account to commence on the effective date of the deferral as each piece of software is placed into service. Hydro notes that recovery of this annual amortization will not commence until the approval of Hydro's next general rate application. This treatment is consistent with other assets placed in-service between test years.

3.0 Summary

The shift from traditional computing arrangements involving on-premises software solutions to cloud-based software applications and the resulting differences in accounting treatment creates a mismatch between the timing of recognition of cost and the transfer of the benefit to customers. In addition, given the determination of whether a project is cloud-based or on-premises is typically not known until after the procurement process, at the earliest, forecast cloud-based computing costs are difficult to predict. This creates a risk that cloud-based expenditures will be incurred and not recovered from customers or, conversely, cloud-based arrangements will be forecast in a test year but will not be incurred.

Hydro is proposing the creation of a Cloud Cost Deferral Account with an effective date of January 1, 2025 which coincides with the effective date of the amalgamation of Nalcor and Hydro and the commencement of information systems projects being incurred in Hydro's regulated line of business. The proposed account will include implementation costs associated with cloud-based application solutions that would otherwise have been capitalized had these costs been associated with on-premises solutions qualifying as Intangible Assets under IFRS.

Hydro further proposes to include the account in Hydro's regulated rate base. Amortization of balances in the Cloud Cost Deferral Account are proposed to commence in 2025 as software projects are placed in service with the associated costs reflected in Hydro's next test year.

Finally, Hydro proposes to amortize implementation costs included in the deferral over Hydro's unit of property depreciation rate for similar software assets, representing an estimate of the expected benefit period. For information systems that are common and used by all lines of business within the Hydro group of companies, costs which are deemed to be applicable to serving other lines of business will be recovered in accordance with Hydro's Intercompany Transactions Costing Guidelines. This cost recovery

of the implementation cost amortization plus applicable return on rate base will be credited to Hydro's revenue requirement to ensure only those costs applicable to servicing the regulated business are recovered from customers. This solution serves to enable Hydro to appropriately recover prudent costs from customers and over a period which better represents the transfer of benefits to customers, ensuring intergenerational equity.

Schedule 1, Attachment 1

Proposed Cloud Cost Deferral Account – Definition

Proposed Cloud Cost Deferral Account Definition

This account shall be charged with the costs incurred in implementing cloud-based software solutions. More specifically, the costs that would have been capitalized had the solution been on-premise and the costs were eligible for capitalization under International Financial Reporting Standards. The amount charged to this account will include up-front payments for implementation costs and other directly attributable costs for cloud-based solutions, and capitalized interest as calculated in accordance with Hydro's Capitalization Guidelines.

In-service software solutions will be amortized over a period approved in Hydro's depreciation study for similar software commencing at the in-service date.

Affidavit

IN THE MATTER OF the *Electrical Power Control Act, 1994,* SNL 1994, Chapter E-5.1 ("*EPCA*") and the *Public Utilities Act*, RSNL 1990, Chapter P-47 ("*Act*"), and regulations thereunder; and

IN THE MATTER OF an application by Newfoundland and Labrador Hydro ("Hydro") for an Order pursuant to the *Act*, for the approval of a deferral account for the costs incurred in implementing cloud-based software solutions.

AFFIDAVIT

I, Dana Pope, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

1) I am Vice President, Regulatory Affairs and Stakeholder Relations, Newfoundland and Labrador Hydro, the applicant named in the attached application.
2) I have read and understand the foregoing application.
3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John's in the province of Newfoundland and Labrador this 14th day of October 2025, before me:

Kimberley Duggan
Commissioner for Oaths, Newfoundland and Labrador

KIMBERLEY DUGGAN
A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador
My commission expires on December 31, 2027.

DPope
Dana Pope, CPA (CA), MBA