Q. **Reference: Supplemental Material, page 5, Schedule B-I**

Provide a detailed explanation for the variances in Professional Services, Equipment Rentals, Miscellaneous Expenses, Transportation, and Customer Costs from 2024 to the 2027TY.

A. As per Chapter 3, Section 3.1.2 of Newfoundland and Labrador Hydro's 2026 General Rate Application ("GRA"), the $2.2 million increase in Professional Services from 2024 Actuals to 2027 Test Year can primarily be attributed to the following:

- **Software Acquisitions & Maintenance** – Higher software costs driven by new requirements (i.e., such as cybersecurity and cloud-related subscription fees) and inflationary increases; and
- **Board of Commissioners of Public Utilities ("Board") Related Costs –** Amortization of previously deferred studies (Phase Two of the Board's Investigation into the January 2014 Outages, Holyrood Thermal Generating Station Life Extension Condition Assessment, and the *Reliability and Resource Adequacy Study Review*) and forecasted GRA hearing costs.

The $0.8 million decrease in Equipment Rentals from 2024 Actuals to 2027 Test Year can be attributed to the following:

- **Equipment Rental Expense ($0.5 million) –** The variance from 2024 Actuals to 2027 Test Year relates to expenses incurred in 2024 relating to a generator and power transformer rental required in Charlottetown due to the loss of a unit and a mobile generator rental required in Hawke's Bay, neither of which are budgeted for 2027; and
- **Telecommunications Equipment ($0.4 million) –** Variance is primarily due to a reduction in the 2027 Budget for VHF[1] Radio Fees as Government of Newfoundland and

[1] Very High Frequency ("VHF").

Labrador have implemented a new VHF Radio alternative (PWRS) in 2026, which the Department of Transportation and Works will be using going forward.

The $1.1 million increase in Miscellaneous Expenses from 2024 Actuals to 2027 Test Year can be attributed to the following:

- **Taxes –** Variations in municipal tax due to rural revenue growth and higher payroll taxes due to increases in salary costs;
- **Training Costs –** Training costs in 2027 reflect operational requirements focused on legislative and safety-related training; and
- **Energy Management –** Variation associated with planned conservation and demand management programs.

The $0.6 million increase in Transportation costs from 2024 Actuals to 2027 Test Year can be attributed to the following:

- **Aircraft Costs ($0.6 million) –** Aircraft costs have increased from 2024 Actuals to 2027 Test Year, primarily related to higher aircraft costs as a result of increases in standby fees and hourly usage rates, partially offset by higher recoveries from other lines of business.

The $0.1 million increase in Customer Costs from 2024 Actuals to 2027 Test Year can be attributed to the following:

- **Bad Debt Expense ($0.1 million) –** The increase in bad debt expense from 2024 Actuals to 2027 Test Year can be attributed to normal variations in allowances for doubtful accounts for balances greater than 90 days.