Q. **Reference: Supplemental Material, page 8, Table 3-6**

a) Provide a breakdown of the components for each of the functional areas in Table 3-6.

b) Provide an explanation for the decrease in “Executive” and “Financial Services and Other” in 2026F and the 2027TY in comparison to 2025.

c) Provide an explanation for the increase in “Regulatory Affairs, Customer Service and Energy Optimization” in the 2027TY in comparison to 2025 and 2026F.

A. **a)** Please refer to PUB-NLH-016, Attachment 1.

b) The explanations for the decrease in “Executive” and “Financial Services and Other” in 2026F and the 2027TY in comparison to 2025 are provided below.

Executive

The decrease of $0.6 million from 2025 Actuals to both the 2026 Forecast and 2027 Test Year is primarily driven by:

- Additional intercompany legal charges associated with Newfoundland and Labrador Hydro (“Hydro”)-specific projects and initiatives in 2025 ($0.5 million) and other immaterial variances ($0.1 million).

Finance Services and Other

The decrease of $1.7 million from 2025 Actuals to 2026 Forecast is primarily driven by:

- As of January 1, 2026, new information systems assets are to be included in the regulated business instead of non-regulated. The increase in depreciation related to these assets is included in the intercompany administrative fees and charged to non-regulated lines of business by the average user allocator ($1.0 million).

- Allowance for doubtful accounts recognized in 2025, not budgeted for either the 2026 Forecast or the 2027 Test Year as not anticipated to reoccur. ($0.5 million).
- Other Immaterial changes ($0.2 million).

The decrease of $0.3 million from 2025 Actuals to 2027 Test Year is primarily driven by:

- Board of Commissioners of Public Utilities ("Board") Order No. P.U. 18(2026) approved the transfer of shared information systems assets from non-regulated to regulated business and for the depreciation of those assets to be included in the rate base. This increase in depreciation is also approved to be included in the intercompany transaction costing and charged to non-regulated lines of business based on average user allocation. ($2.9 million).
- Other immaterial variances ($0.1 million).

Offset partially by:

- In the 2027 Test Year, Hydro proposes to no longer defer costs related to the business systems program ($1.5 million) and commence amortization of the December 31, 2026 balance of business systems program deferral ($1.8 million).[1]

Finance Services and Other 2019–2027

Please refer to PUB-NLH-016, Attachment 2 for a breakdown of finance services from 2019–2027. Please see below for year-over-year variances of +/- $1.0 million.

The increase of $1.4 million from 2019 to 2020 is primarily driven by:

- In 2019, Board approval of Order No. P.U. 30(2019) to defer costs related to the business systems admin fee. Prior year costs related to business systems were included in the 2019 adjustment. ($0.9 million).
- An increase in insurance premiums ($0.3 million).
- An increase in salaries ($0.3 million).

[1] "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 5, sec. 5.6.1.

The decrease of $1.3 million from 2021 Actuals to 2022 Actuals is primarily driven by:

- Increase in the business systems deferral related to an adjustment that was approved in Board Order No. P.U. 27(2022). Prior years were adjusted relating to this Board Order ($1.9 million).
- Increased recovery of Hydro's shared services related to the addition of procurement as a shared service in 2022 ($0.8 million).

Offset partially by the following:

- Increase in maintenance costs for Hydro place ($0.4 million).
- Increased allocation of business systems costs related to a 2% increase in Hydro's portion of the allocation and completion of business systems programs ($0.3 million).
- Increased insurance premiums ($0.3 million).
- Other immaterial variances ($0.4 million).

The increase of $1.9 million from 2022 Actuals to 2023 Actuals is primarily driven by:

- The 2022 adjustment of the business systems admin fee cost deferral of $1.9 million, offset by an increase of the 2023 deferral related to Board Order No. P.U. 27(2022) ($1.3 million).
- Increased insurance premiums ($0.2 million).
- Other immaterial variances ($0.4 million).

The decrease of $1.2 million from 2024 Actuals to 2025 Actuals is primarily driven by:

- The addition of the General Expenses Capitalized deferral in 2025. ($1.6 million).
- Increased contract labour costs in 2024 relating to Hydro Place fourth-floor fire remediation, not incurred in 2025. ($0.6 million).
- Decrease in insurance premiums ($0.2 million).

Partially offset by:

- Increase in salaries ($0.7 million).
- Increased bad debt expense relating to variations in outstanding balances of 90 days ($0.6 million).

c) The increase of $1.3 million in Regulatory Affairs, Customer Service and Energy Optimization from 2025 Actuals to 2027 Test Year is primarily driven by the following:

- Increased salary and benefits ($0.6 million).
- The addition of the Reliability and Resource Adequacy (“RRA”) Deferral amortization in 2027 Test Year ($0.4 million).[2,3]
- The addition of the proposed General Rate Application Hearing Cost Deferral amortization in the 2027 Test Year ($0.4 million).[4]
- The addition of proposed Phase Two Deferral amortization in the 2027 Test Year ($0.2 million).[5]
- A one-time adjustment recorded in 2025 to defer RRA costs incurred in 2024 ($0.4 million).
- Increase in miscellaneous costs such as payroll taxes and energy management ($0.3 million).

Partially offset by:

- Board costs associated with the mix of regulatory proceedings which were ongoing in 2025 versus those forecast to be ongoing in 2027. For example, those related to major projects such as the 2025 Build Application were higher in 2025 than forecast in 2027 ($0.9 million); partially offset by costs associated with the transmission tariff proceeding forecast to occur in 2027 ($0.2 million).

[2] “2026 General Rate Application,” Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 5, sec. 5.6.5.
[3] The total proposed RRA deferral amortization is $0.6 million. Of which, $0.4 million is included in Regulated Affairs, Customer Service and Energy Optimization. The remaining $0.2 million is included in Production.
[4] “2026 General Rate Application,” Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 5, sec. 5.6.9.
[5] “2026 General Rate Application,” Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 5, sec. 5.6.4.

- Commencement of the productivity allowance in 2027 ($0.3 million).

The increase of $1.3 million from the 2026 Forecast to the 2027 Test Year is primarily driven by the following:

- The addition of the RRA Deferral amortization in the 2027 Test Year ($0.4 million).
- The addition of the GRA Hearing Cost Deferral amortization in 2027 Test Year ($0.4 million).
- The addition of Phase Two Deferral amortization in the 2027 Test Year ($0.2 million).
- The addition of forecast Board costs associated with the transmission tariff proceeding in the 2027 Test Year ($0.2 million).

Newfoundland and Labrador Hydro
Total Operating Expenses – Executive
($000)[1]

	2019 Test Year Restated[2]	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Labour					
Salaries	1,654	871	943	906	935
General Expenses Capitalized Deferral	-	-	-	-	-
Overtime	-	23	22	-	-
Other Labour-Related Costs	794	1,492	1,248	810	829
Total Labour	**2,449**	**2,387**	**2,213**	**1,716**	**1,764**
System Equipment and Maintenance	3	9	(3)	5	5
Other					
Office Supplies and Expenses	133	150	220	163	166
Professional Services	180	101	124	138	140
Insurance	-	-	-	-	-
Equipment Rentals	-	0	-	-	-
Travel	30	15	33	21	21
Miscellaneous Expenses	-	0	6	14	15
Building Rental and Maintenance	0	-	1	-	-
Transportation	86	-	-	-	-
Customer Costs	-	-	-	-	-
Total Other	**429**	**266**	**385**	**336**	**342**
Cost Allocations	(22)	-	630	549	578
Total Operating Expenses	**2,859**	**2,661**	**3,225**	**2,605**	**2,689**
($ Millions)	**2.9**	**2.7**	**3.2**	**2.6**	**2.7**

[1] Numbers may not add due to rounding.

[2] Newfoundland and Labrador Hydro has presented 2019 Test Year costs reclassified to align with its current organizational structure.

Newfoundland and Labrador Hydro
Total Operating Expenses – Financial Services
($000)[1]

	2019 Test Year Restated[2]	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Labour					
Salaries	6,147	5,618	6,270	6,192	6,385
General Expenses Capitalized Deferral	-	-	(1,622)	(1,630)	(1,683)
Overtime	108	178	141	233	240
Other Labour-Related Costs	1,336	1,672	2,496	1,699	1,761
Total Labour	**7,591**	**7,468**	**7,286**	**6,493**	**6,703**
System Equipment and Maintenance	1,581	1,757	2,170	1,516	1,528
Other					
Office Supplies and Expenses	439	415	446	496	505
Professional Services	143	102	512	116	116
Insurance	3,425	4,885	4,684	4,670	4,624
Equipment Rentals	1	0	2	-	-
Travel	58	37	79	31	31
Miscellaneous Expenses	169	178	274	147	150
Building Rental and Maintenance	31	19	20	17	18
Transportation	-	4	3	5	5
Customer Costs	-	(123)	452	-	-
Total Other	**4,266**	**5,518**	**6,471**	**5,481**	**5,447**
Cost Allocations	(3,387)	(2,420)	(4,798)	(4,036)	(4,525)
Total Operating Expenses	**10,051**	**12,323**	**11,128**	**9,454**	**9,153**
($ Millions)	**10.1**	**12.3**	**11.1**	**9.5**	**9.2**

[1] Numbers may not add due to rounding.

[2] Newfoundland and Labrador Hydro has presented 2019 Test Year costs reclassified to align with its current organizational structure.

Newfoundland and Labrador Hydro

Total Operating Expenses – People, Culture and Corporate Affairs

($000)[1]

	2019 Test Year Restated[2]	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Labour					
Salaries	4,757	4,754	5,516	6,215	6,367
General Expenses Capitalized Deferral	-	-	(223)	(256)	(264)
Overtime	11	28	(7)	8	3
Other Labour-Related Costs	130	792	620	479	849
Total Labour	**4,899**	**5,573**	**5,905**	**6,446**	**6,954**
System Equipment and Maintenance	54	24	45	29	27
Other					
Office Supplies and Expenses	373	17	44	138	141
Professional Services	920	573	850	720	717
Insurance	-	-	-	-	-
Equipment Rentals	1	2	2	1	1
Travel	131	88	79	79	79
Miscellaneous Expenses	2,733	2,220	2,866	2,748	2,790
Building Rental and Maintenance	19	3	9	27	27
Transportation	-	12	(4)	10	10
Customer Costs	-	-	-	-	-
Total Other	**4,177**	**2,916**	**3,847**	**3,724**	**3,765**
Cost Allocations	997	1,173	1,176	733	782
Total Operating Expenses	**10,126**	**9,686**	**10,973**	**10,932**	**11,529**
($ Millions)	**10.1**	**9.7**	**11.0**	**10.9**	**11.5**

[1] Numbers may not add due to rounding.

[2] Newfoundland and Labrador Hydro has presented 2019 Test Year costs reclassified to align with its current organizational structure.

Newfoundland and Labrador Hydro

Total Operating Expenses – Regulatory Affairs, Customer Service and Energy Optimization

($000)[1]

	2019 Test Year Restated[2]	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Labour					
Salaries	3,889	4,148	4,389	4,663	4,707
General Expenses Capitalized Deferral	-	-	(440)	(462)	(452)
Overtime	69	109	87	164	169
Other Labour-Related Costs	1,210	1,016	1,138	1,339	1,378
Total Labour	**5,168**	**5,273**	**5,174**	**5,704**	**5,801**
System Equipment and Maintenance	108	65	81	145	148
Other					
Office Supplies and Expenses	305	273	338	315	321
Professional Services	4,862	3,456	4,166	3,575	4,650
Insurance	-	-	-	-	-
Equipment Rentals	0	6	9	-	-
Travel	62	58	57	67	69
Miscellaneous Expenses	2,621	2,267	2,370	2,734	2,816
Building Rental and Maintenance	51	5	6	31	32
Transportation	69	58	16	49	50
Customer Costs	118	146	138	85	85
Total Other	**8,087**	**6,269**	**7,099**	**6,856**	**8,021**
Cost Allocations	(2,185)	(1,380)	(2,005)	(2,331)	(2,309)
Total Operating Expenses	**11,178**	**10,228**	**10,349**	**10,374**	**11,661**
($ Millions)	**11.2**	**10.2**	**10.3**	**10.4**	**11.7**

[1] Numbers may not add due to rounding.

[2] Newfoundland and Labrador Hydro has presented 2019 Test Year costs reclassified to align with its current organizational structure.

Newfoundland and Labrador Hydro
Total Operating Expenses – Financial Services & Other
($000)[1]

	2019 Test Year Restated[2]	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Forecast	2027 Test Year
Labour										
Salaries	6,147	5,461	5,719	5,340	5,476	5,479	5,618	6,270	6,192	6,385
General Expenses Capitalized Deferral	-	-	-	-	-	-	-	(1,622)	(1,630)	(1,683)
Overtime	108	162	184	145	203	142	178	141	233	240
Other Labour-Related Costs	1,336	1,418	1,273	1,312	1,382	1,660	1,672	2,496	1,699	1,761
Total Labour	**7,591**	**7,041**	**7,177**	**6,797**	**7,061**	**7,281**	**7,468**	**7,286**	**6,493**	**6,703**
System Equipment and Maintenance	1,581	1,219	1,261	911	1,397	1,484	1,757	2,170	1,516	1,528
Other										
Office Supplies and Expenses	439	383	307	358	320	408	415	446	496	505
Professional Services	143	50	50	59	72	251	102	512	116	116
Insurance	3,425	3,507	3,784	4,412	4,703	4,962	4,885	4,684	4,670	4,624
Equipment Rentals	1	0	1	-	(6)	(141)	0	2	-	-
Travel	58	47	9	19	20	40	37	79	31	31
Miscellaneous Expenses	169	147	36	240	170	(2)	178	274	147	150
Building Rental and Maintenance	31	17	25	21	10	16	19	20	17	18
Transportation	-	3	1	4	-	4	4	3	5	5
Customer Costs	-	8	45	30	(62)	131	(123)	452	-	-
Total Other	**4,266**	**4,162**	**4,259**	**5,143**	**5,229**	**5,669**	**5,518**	**6,471**	**5,481**	**5,447**
Cost Allocations	(3,387)	(3,274)	(2,108)	(1,425)	(3,530)	(2,388)	(2,420)	(4,798)	(4,036)	(4,525)
Total Operating Expenses	**10,051**	**9,149**	**10,589**	**11,426**	**10,157**	**12,045**	**12,323**	**11,128**	**9,454**	**9,153**
($ Millions)	**10.1**	**9.1**	**10.6**	**11.4**	**10.2**	**12.0**	**12.3**	**11.1**	**9.5**	**9.2**

[1] Numbers may not add due to rounding.
[2] Newfoundland and Labrador Hydro has presented 2019 Test Year costs reclassified to align with its current organizational structure.