NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 34(2025)

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro for the approval of a deviation from International Financial Reporting Standards, pursuant to section 58 of the **Act.**

WHEREAS Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and existing under the **Hydro Corporation Act, 2024,** SNL 2024, Chapter H-18, is a public utility within the meaning of the **Act**, and is also subject to the provisions of the **EPCA**; and

WHEREAS in Order No. P.U. 13(2012), the Board approved Hydro's adoption of International Financial Reporting Standards ("IFRS") as of January 1, 2014, including IFRS 14 — Regulatory Deferral Accounts, which permits Hydro to continue to recognize regulatory deferral account balances; and

WHEREAS the amalgamation of the former Nalcor Energy ("Nalcor") and Hydro, effective January 1, 2025, requires a change to the accounting for rate mitigation funding under IFRS; and

WHEREAS on October 3, 2025 Hydro filed an application requesting approval of an accounting deviation which would allow for the reporting and presentation of the rate mitigation funding to remain consistent with that which was in place prior to amalgamation (the "Application"); and

WHEREAS the Application stated that prior to amalgamation, rate mitigation funding was transferred from Nalcor, where it was recorded as an expense, to Hydro, where it was recorded as revenue and then deferred by Hydro as part of the Supply Cost Variance Deferral Account ("SCVDA"), reducing the balance owing from customers; and

WHEREAS the Application stated that under IFRS, rate mitigation funding to Hydro after amalgamation is no longer permitted to be recorded as revenue because there is no transfer of funds from one legal entity to another; and

WHEREAS the Application stated that IFRS would require, effective January 1, 2025, rate mitigation funding to be recorded as an expense within the non-regulated operating segment of Hydro with a credit directly to the SCVDA to reduce the balance owing from customers, which would result in Hydro not recording the revenue relating to the rate mitigation funding; and

WHEREAS the Application noted that in Hydro's next test year, costs related to payments under the Muskrat Falls Power Purchase Agreement and the Transmission Funding Agreement, and the rate mitigation funding, will be reflected in customers' base rates and recognition of rate mitigation funding as revenue is required to properly reflect Hydro's regulated net income; and

WHEREAS the Application requested that the Board approve Hydro's proposal to deviate from IFRS, effective January 1, 2025, to allow for the accounting of rate mitigation funding as revenue by Hydro which would be consistent with that which was in place prior to amalgamation; and

WHEREAS the Application also noted that for external financial reporting purposes, the rate mitigation revenue would be recorded as a regulatory adjustment under IFRS 14 — Regulatory Deferral Accounts and that the accounting deviation will have no impact on customers; and

WHEREAS the Application was copied to: Newfoundland Power Inc. ("Newfoundland Power"); the Consumer Advocate, Mr. Dennis Browne, KC; a group of Island Industrial Customers: Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited (the "Island Industrial Customer Group"); the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City; Teck Resources Limited; and Linde Canada Inc.; and

WHEREAS on October 17, 2025, Newfoundland Power and the Island Industrial Customer Group confirmed that they did not have any comments in relation to the Application; and

WHEREAS the Board did not receive any other comments in relation to the Application; and

WHEREAS on October 20, 2025 Hydro filed a reply requesting the Application be approved as filed; and

WHEREAS the Board is satisfied that the approval of an accounting deviation under IFRS 14 – Regulatory Deferral Accounts, to allow for the reporting and presentation of the rate mitigation funding to remain consistent with that which was in place prior to the amalgamation, is appropriate.

IT IS THEREFORE ORDERED THAT:

1. An accounting deviation, under IFRS 14 – Regulatory Deferral Accounts, to allow for the reporting and presentation of the rate mitigation funding as revenue by Newfoundland and Labrador Hydro, effective January 1, 2025, is approved.

2. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 31st day of October, 2025.

Kevin Fagan
Chair and Chief Executive Officer

John O'Brien, FCPA, FCA, CISA
Commissioner

Colleen Jones
Assistant Board Secretary