

1 **IN THE MATTER OF** the **Electrical Power**
2 **Control Act**, 1994, SNL 1994, Chapter E-5.1
3 (the “**EPCA**”) and the **Public Utilities Act**, RSNL
4 1990, Chapter P-47 (the “**Act**”), as amended,
5 and regulations thereunder; and
6
7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for
9 approval of a deferral account for an
10 allowance for funds used during construction,
11 pursuant to section 58 of the **Act**.

PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION

PUB-NLH-001 to PUB-NLH-010

Issued: June 23, 2026

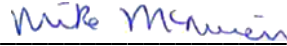
- 1 **PUB-NLH-001** Please provide an illustration using the definition proposed for the AFUDC
 2 Deferral Account to support the Forecast 2027 AFUDC and IDC presented
 3 in Table 1, page 3, Schedule 1, including:
 4
- 5 (a) the calculation of the approved rate of return on average rate base
 6 used to calculate AFUDC;
 - 7 (b) the calculation of the embedded cost of debt used to calculate IDC;
 8 and
 - 9 (c) a summary of assumptions used in the calculation.
- 10
- 11 **PUB-NLH-002** (a) Does Hydro anticipate any circumstance where IDC would be greater
 12 than AFUDC? If so, explain.
 13 (b) Confirm that if the embedded cost of debt used to calculate IDC is
 14 greater than the approved rate of return on average rate base, a
 15 credit will be included in the AFUDC Deferral Account. If not, explain
 16 why.
 17
- 18 **PUB-NLH-003** Schedule 1, page 6, lines 20-21. Hydro is proposing that the AFUDC
 19 Deferral Account be included in rate base.
 20
- 21 (a) Explain whether specific Board approval is required for the AFUDC
 22 deferral account to be included in rate base.
 - 23 (b) Confirm the date that Hydro is proposing the deferral account to be
 24 included in rate base and explain how Hydro will determine when the
 25 monthly transfers to the deferral account for each capital project will
 26 be included in rate base, addressing how Hydro will treat capital
 27 projects that are not yet completed.
 28
- 29 **PUB-NLH-004** (a) Please confirm whether Hydro is proposing to use AFUDC to calculate
 30 the capitalization of borrowing costs for regulatory reporting
 31 purposes only or for both regulatory and financial reporting.
 32 (b) If Hydro intends to use AFUDC for financial reporting, is approval to
 33 deviate from IFRS required? Please explain why approval of a
 34 deviation would not be required.
 35
- 36 **PUB-NLH-005** Schedule 1, page 5, lines 20-23. Hydro states that its status as a Crown
 37 utility and its allowed return on equity being aligned with an investor-
 38 owned utility are not considerations that are relevant in determining the
 39 appropriateness or calculation of AFUDC.
 40
- 41 Please provide further explanation of why these factors, which are usually
 42 viewed as benefits for a utility's financial position, should not be
 43 considerations for allowing increased capital cost recovery through
 44 establishing the proposed AFUDC deferral account.

- 1 **PUB-NLH-006** Update Tables 1 and 2, Schedule 1, to provide the forecast information for
2 each year to 2032.
3
- 4 **PUB-NLH-007** Schedule 1, page 5, lines 17-19. Hydro states that adopting AFUDC based
5 on changes to the level of capital expenditures and the change in the
6 embedded cost of debt since adopting IFRS will help prevent erosion of
7 equity during construction of major projects.
8
9 Please provide the forecast impact on equity (\$ and %) of comparing the
10 use of IDC and AFUDC for each year from 2026-2032.
11
- 12 **PUB-NLH-008** (a) Provide the guidelines or policy that Hydro uses to determine when it
13 is appropriate to capitalize the borrowing costs of a capital project.
14 (b) In its report, Christensen notes that regulators generally require that
15 AFUDC not be collected for certain periods of delay or deferment of
16 construction activities and that the interest incurred during this period
17 should not be capitalized. Does Hydro have a similar policy or apply a
18 similar approach for capital projects that are delayed or deferred?
19
- 20 **PUB-NLH-009** Appendix A, page 3. Christensen states that the IDC methodology may
21 result in an under-recovery of the opportunity cost incurred by Hydro and
22 result in uncompensated risk by Hydro's shareholder, the Government of
23 Newfoundland and Labrador.
24
25 (a) Is the potential for uncompensated risk impacted by either the:
26 (i) payment of a debt guarantee by Hydro to the province; and
27 (ii) payment of the rural deficit by Newfoundland Power customers
28 to recover revenue shortfall from Hydro's rural customers?
29 In the response, address whether the payments in (i) and (ii) and the
30 approval of the use of the AFUDC methodology could result in the
31 province being over compensated for risk.
32
33 (b) Would the change in methodology from IDC to AFUDC require
34 additional rate mitigation funding from the Government of
35 Newfoundland and Labrador? If so, explain the impact of this
36 additional funding requirement on the uncompensated risk to the
37 Government of Newfoundland and Labrador?
38
- 39 **PUB-NLH-010** Table 4.3, page 12, Appendix A. According to the survey results, Enbridge
40 Gas, the only utility from Ontario to provide a response to the survey, uses
41 IDC to account for financing costs even though the utility operates under
42 US GAAP.
43
44 (a) Is Hydro aware of any other utilities in Ontario that use AFUDC?
45 (b) Has the Ontario Energy Board approved the use of AFUDC?

DATED at St. John's, Newfoundland and Labrador, this 23rd day of June, 2026.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per



Mike McNiven
Board Secretary