Q. **Reference: Schedule 6, 2025 Average Rate Base; Schedule 1, Section 6.9**

Hydro’s 2025 average rate base calculation shows accumulated depreciation net of the Retirement Asset Pool and Removal Provision. Hydro’s stated CBA rate impacts do not reflect reductions resulting from asset retirements.

a) For each material 2027 renewal or replacement project, please identify the assets expected to be retired as a direct consequence of the proposed capital investment.

b) Please provide the estimated: i) the original cost; ii) the accumulated depreciation; and iii) the net book value of the assets at the expected retirement date.

c) Please explain the regulatory accounting treatment of: i) the remaining net book value; ii) the removal costs; iii) salvage; and iv) gains or losses on retirement.

d) Please describe the operation of the Retirement Asset Pool and Removal Provision.

e) Please provide the 2024 and 2025 opening balances, additions, charges/amortization and closing balances of those accounts.

f) Please identify amounts expected to be added to those accounts as a result of 2027 CBA retirements.

g) Please explain how and over what period those costs are ultimately recovered from customers.

A. **a)** Newfoundland and Labrador Hydro (“Hydro”) does not track detailed asset retirements at this phase of the proposed capital investment; therefore, this information is not available.

b) Please refer to Hydro’s response to part a) of this response.

c) Upon retirement of an asset, the total original cost of the asset is debited to the retirement pool account and credited to the asset cost account. The total accumulated depreciation is credited to the retirement pool account and debited to the asset accumulated depreciation account. If there are any proceeds received as a result of asset retirement, they are credited to the retirement pool account. No gain or loss is recognized in the statement of profit and loss.

d) The retirement asset pool deferral account is used to defer gains and losses upon retirement of an asset. When an asset is retired, Hydro removes the net book value of the asset from property, plant and equipment (total cost and accumulated depreciation) and records the balance in the retirement asset pool deferral account. If there are any proceeds received from the retirement of the asset, they are credited to the retirement asset pool account. No gain or loss is recognized in the statement of profit and loss.

The removal provision deferral account is used to record a provision for future asset removal costs. Hydro's depreciation methodology includes a provision for removal costs. Each unit of property has a removal provision rate included in Hydro's depreciation studies. Each month Hydro records a removal provision to the removal provision deferral account through monthly depreciation using the removal provision rates from its approved depreciation study. These monthly removal provision entries build up the removal provision deferral account to cover the costs of removal projects when they occur in the future. Costs of removal projects are recorded against the removal provision deferral account as they are incurred.

e) Please refer to CA-NLH-050, Attachment 1 for the 2024 and 2025 Removal Provision account data, and the 2024 and 2025 Retirement Pool account data, provided as a native excel file.

f) Retirement asset pool deferral account activity is budgeted as a five-year historical average; therefore, a value added to the account that is directly attributable to retirements currently budgeted in the 2027 Capital Budget Application ("CBA") is unavailable.

The removal provision deferral account is budgeted as a five-year historical average in combination with known removal projects; therefore, a value added to the account that is directly attributable to removals currently budgeted in the 2027 CBA is unavailable.

g) The activity in the retirement asset pool deferral account is recovered from customers through future depreciation expenses. The retirement asset pool deferral account activity is factored into future depreciation studies and depreciation rates for each unit of property.

The removal provision deferral account is recovered through current and future depreciation expenses as the monthly provision is recovered as depreciation expense and any changes in removal activity are captured in future depreciation studies and removal provision rates for each unit of property.