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July 21, 2025

Newfoundland Power  
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PO Box 8910  
St. John's, NL A1B 3P6

Attention: Dominic Foley  
Legal Counsel

**Re: 2024 Annual Financial Return**

Enclosed with this letter please find Newfoundland and Labrador Hydro's 2024 Annual Financial Return filed with the Board of Commissioners of Public Utilities on April 1, 2025, pursuant to Section 59(2) of the *Public Utilities Act*.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

A handwritten signature in blue ink, appearing to read "Shirley A. Walsh", is written over a horizontal line.

Shirley A. Walsh  
Senior Legal Counsel, Regulatory  
SAW/rr

Encl.

ecc:

**Board of Commissioners of Public Utilities**  
Jo-Anne Galarneau  
Jacqui H. Glynn  
Board General  
Ryan Oake

**Newfoundland Power Inc.**  
Douglas W. Wright  
Regulatory Email

# 2024 Annual Return

April 1, 2025

A report to the Board of Commissioners of Public Utilities



## Contents

Return	Title
1	Annual Audited Non-Consolidated Financial Statements
2	Newfoundland and Labrador Hydro's Board of Directors and Officers List
3	Computation of Average Rate Base
4	Capital Assets - Original Cost
5	Capital Expenditures
6	Accumulated Depreciation
7	Contributions in Aid of Construction
8	Working Capital Allowance
9	Statement of Operating Costs
9(A)	Significant Operating Expense Variance
10	Inventory
11	Deferred Charges
12	Return on Rate Base
13	Return on Regulated Average Retained Earnings
14	Capital Structure
15	Cost of Debt
16	Interest Expense
17	Rate Stabilization Plan - Activity
18	Rate Stabilization Plan - Balances
19	Assessable Revenue
20	2024 Annual Report on the Rural Deficit
21	Supply Cost Variance Deferral Account - Activity
22	Supply Cost Variance Deferral Account - Balances
	2024 Report on the Rural Deficit – Summary of Specific Initiatives

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2024**

## Independent Auditor's Report

To the Directors of Newfoundland and Labrador Hydro

### Opinion

We have audited the non-consolidated financial statements of Newfoundland and Labrador Hydro (the "Company"), which comprise the non-consolidated statement of financial position as at December 31, 2024, and the non-consolidated statements of profit and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued in accordance with the financial reporting provisions of Section 59 of the Public Utilities Act.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter — Basis of Accounting

We draw attention to Note 2 to the non-consolidated financial statements, which describes the basis of accounting. The non-consolidated financial statements are prepared to assist the Company in complying with the financial reporting provisions of Section 59 of the Public Utilities Act. As a result, the non-consolidated financial statements may not be suitable for another purpose.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*

Chartered Professional Accountants  
March 20, 2025

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>As at December 31 (millions of Canadian dollars)</i>	Notes	2024	2023
<b>ASSETS</b>			
Current assets			
Cash		3	29
Trade and other receivables	5	137	116
Inventories	6	104	101
Current portion of sinking fund investments	9	20	7
Contract receivable	26	3	13
Prepayments		5	6
Deferred asset	7	84	68
<b>Total current assets</b>		<b>356</b>	<b>340</b>
Non-current assets			
Property, plant and equipment	8	2,391	2,315
Sinking fund investments	9	191	199
Investments in joint arrangements	10	778	732
Other non-current assets		7	8
<b>Total assets</b>		<b>3,723</b>	<b>3,594</b>
Regulatory deferrals	11	1,493	889
<b>Total assets and regulatory deferrals</b>		<b>5,216</b>	<b>4,483</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Short-term borrowings	13	590	230
Trade and other payables	12	199	167
Current portion of contract payable	26	325	274
Current portion of long-term debt	13	7	7
Derivative liability	25	84	68
Current portion of deferred credits	15	8	4
Other current liabilities		4	1
<b>Total current liabilities</b>		<b>1,217</b>	<b>751</b>
Non-current liabilities			
Long-term debt	13	2,001	2,017
Deferred contributions	14	41	38
Decommissioning liabilities	16	27	27
Employee future benefits	18	89	82
Contract payable	26	401	178
Other long-term liabilities		6	3
<b>Total liabilities</b>		<b>3,782</b>	<b>3,096</b>
Shareholder's equity			
Share capital	19	23	23
Contributed capital	19	142	143
Reserves		16	19
Retained earnings		1,201	1,159
<b>Total equity</b>		<b>1,382</b>	<b>1,344</b>
<b>Total liabilities and equity</b>		<b>5,164</b>	<b>4,440</b>
Regulatory deferrals	11	52	43
<b>Total liabilities, equity and regulatory deferrals</b>		<b>5,216</b>	<b>4,483</b>


Commitments and contingencies (Note 27)

Subsequent event (Note 31)

See accompanying notes

On behalf of the Board

  
 \_\_\_\_\_  
 DIRECTOR

  
 \_\_\_\_\_  
 DIRECTOR

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NON-CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	Notes	2024	2023
Energy sales		<b>802</b>	797
Other revenue	20	<b>304</b>	407
<b>Revenue</b>		<b>1,106</b>	1,204
Fuels		<b>169</b>	187
Power purchased	21	<b>1,173</b>	978
Operating costs	22	<b>150</b>	152
Transmission rental		<b>19</b>	19
Depreciation and amortization		<b>80</b>	73
Net finance expense	23	<b>110</b>	95
Other expense	24	<b>16</b>	9
<b>Expenses</b>		<b>1,717</b>	1,513
<b>Loss for the year from operations</b>		<b>(611)</b>	(309)
Share of profit of joint arrangement	10	<b>46</b>	30
Preferred dividends		<b>10</b>	7
<b>Loss for the year before regulatory adjustments</b>		<b>(555)</b>	(272)
Regulatory adjustments	11	<b>(597)</b>	(342)
<b>Profit for the year</b>		<b>42</b>	70
<b>Other comprehensive loss</b>			
Items that may or have been reclassified to profit or loss:			
Actuarial loss on employee future benefits regulatory adjustment	11	<b>(1)</b>	(2)
Actuarial loss on employee future benefits	18	<b>(3)</b>	(9)
Share of other comprehensive income (loss) of joint arrangement		<b>1</b>	(1)
<b>Other comprehensive loss for the year</b>		<b>(3)</b>	(12)
<b>Total comprehensive income for the year</b>		<b>39</b>	58

*See accompanying notes*



**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>(millions of Canadian dollars)</i>	Share Capital	Contributed Capital	Reserves	Retained Earnings	Total
<b>Balance at January 1, 2024</b>	<b>23</b>	<b>143</b>	<b>19</b>	<b>1,159</b>	<b>1,344</b>
<b>Profit for the year</b>	-	-	-	<b>42</b>	<b>42</b>
<b>Other comprehensive loss for the year</b>	-	-	<b>(3)</b>	-	<b>(3)</b>
<b>Total comprehensive income for the year</b>	-	-	<b>(3)</b>	<b>42</b>	<b>39</b>
<b>Regulatory adjustment</b>	<b>19</b>	<b>(1)</b>	-	-	<b>(1)</b>
<b>Balance at December 31, 2024</b>	<b>23</b>	<b>142</b>	<b>16</b>	<b>1,201</b>	<b>1,382</b>
Balance at January 1, 2023	23	144	31	1,094	1,292
Profit for the year	-	-	-	70	70
Other comprehensive loss for the year	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	(12)	70	58
Regulatory adjustment	19	(1)	-	-	(1)
Dividends	19	-	-	(5)	(5)
Balance at December 31, 2023	23	143	19	1,159	1,344

See accompanying notes

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	Notes	<b>2024</b>	2023
<b>Operating activities</b>			
Profit for the year		<b>42</b>	70
Adjustments to reconcile profit to cash (used in) provided from operating activities:			
Depreciation and amortization		<b>80</b>	73
Regulatory adjustments	11	<b>(597)</b>	(342)
Share of profit of joint arrangement	10	<b>(46)</b>	(30)
Finance income	23	<b>(19)</b>	(18)
Finance expense	23	<b>129</b>	113
Loss on disposal of property, plant and equipment	24	<b>6</b>	5
Other		<b>14</b>	2
		<b>(391)</b>	(127)
Changes in non-cash working capital balances	29	<b>8</b>	(10)
Increase in contract payable	26	<b>274</b>	287
Decrease (increase) in contract receivable	26	<b>10</b>	(13)
Interest received		<b>4</b>	5
Interest paid		<b>(128)</b>	(112)
<b>Net cash (used in) provided from operating activities</b>		<b>(223)</b>	30
<b>Investing activities</b>			
Additions to property, plant and equipment and intangible assets	8	<b>(161)</b>	(148)
Contributions to sinking funds	9	<b>(7)</b>	(7)
Decrease in related party loan receivable		-	30
Changes in non-cash working capital balances	29	<b>1</b>	10
<b>Net cash used in investing activities</b>		<b>(167)</b>	(115)
<b>Financing activities</b>			
Increase in short-term borrowings	13	<b>360</b>	99
Other		<b>4</b>	4
Changes in non-cash working capital balances	29	-	(5)
<b>Net cash provided from financing activities</b>		<b>364</b>	98
Net (decrease) increase in cash		<b>(26)</b>	13
Cash, beginning of the year		<b>29</b>	16
Cash, end of the year		<b>3</b>	29

*See accompanying notes*

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**1. DESCRIPTION OF BUSINESS**

Newfoundland and Labrador Hydro (Hydro or the Company) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province). The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities. Hydro is a 100% owned subsidiary of Nalcor Energy (Nalcor). Hydro's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

Hydro holds interests in the following entities:

A 65.8% interest in Churchill Falls (Labrador) Corporation Limited (Churchill Falls). Churchill Falls is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

A 51.0% interest in Lower Churchill Development Corporation (LCDC), an inactive subsidiary. LCDC is incorporated under the laws of Newfoundland and Labrador and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River.

**2. MATERIAL ACCOUNTING POLICIES****2.1 Statement of Compliance and Basis of Measurement**

These annual audited non-consolidated financial statements (financial statements) have been prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (IASB) with the exception of Hydro's investments in joint arrangements and related disclosures. These statements are non-consolidated as the investments in joint arrangements have been accounted for using the equity method of accounting, as described in Note 2.8. Consolidated statements for the same period have been prepared for presentation to the Lieutenant Governor in Council of the Province.

These financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The financial statements were approved by Hydro's Board of Directors (the Board) on March 7, 2025.

**2.2 Cash and Cash Equivalents and Short-Term Investments**

Cash and cash equivalents consist of amounts on deposit with Schedule 1 Canadian Chartered banks, as well as highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

**2.3 Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing condition and location. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**2.4 Property, Plant and Equipment**

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Hydro's accounting policy outlined in Note 2.6. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

When significant parts of property, plant and equipment are required to be replaced at intervals, Hydro recognizes such parts as individual assets with specific useful lives and depreciation rates. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred.

Depreciation commences when the assets are ready for their intended use. Residual values and useful lives are reviewed at the end of each year and adjusted prospectively, if appropriate. As per Board Order P.U. 30 (2019), Hydro was approved to recover gains and losses through accumulated amortization and to record removal costs through depreciation. To comply with International Accounting Standard (IAS) 16, the adjustments related to the recovery of gains and losses through accumulated amortization and removal depreciation are presented as a regulatory adjustment in Note 11. The depreciation lives used are as follows:

Generation plant	3 to 110 years
Transmission and distribution	10 to 75 years
Other assets	3 to 75 years

Generation plant is comprised of hydroelectric, thermal and diesel generation. Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dikes, tailraces, penstocks and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks, and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dikes and liners and cooling systems.

Transmission and distribution include transmission and distribution lines and terminal stations. Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Terminal station assets are used to step up voltages of electricity for transmission and to step down voltages for distribution. Distribution system assets include poles, transformers, insulators, and conductors.

Other assets include telecontrol, buildings, vehicles, furniture, tools and equipment.

The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in Other expense. Pursuant to Board Order No. P.U. 30 (2019), the gains and losses are deferred on retirement of property, plant and equipment. The deferral will be recovered through future depreciation expense.

**2.5 Intangible Assets**

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs and feasibility studies, are capitalized as intangible assets in accordance with IAS 38.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each year with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	7 years
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**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**2.6 Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Non-Consolidated Statement of Profit and Comprehensive Income in the period in which they are incurred.

**2.7 Impairment of Non-Financial Assets**

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, Hydro estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized immediately in the Non-Consolidated Statement of Profit and Comprehensive Income.

**2.8 Investments in Joint Arrangements**

A joint arrangement is an arrangement in which two or more parties involved have joint control. Control exists when Hydro has the power, directly or indirectly, to govern the financial and operating policies of another entity, so as to obtain benefits from its activities. A joint arrangement is either classified as a joint operation or a joint venture based on the rights of the parties involved. Hydro's investment in Churchill Falls is classified as a joint operation.

Hydro's investment in Churchill Falls is recorded using the equity method of accounting. Under the equity method, the interest in the investment is carried in the Non-Consolidated Statement of Financial Position at cost plus post acquisition changes in Hydro's share of net assets of the investment. The Non-Consolidated Statement of Profit and Comprehensive Income reflects the share of the profit or loss of the joint operation.

**2.9 Employee Future Benefits****(i) Pension Plan**

Employees participate in the Province's Public Service Pension Plan (Plan), a multi-employer defined benefit plan. Contributions by Hydro to this Plan are recognized as an expense when employees have rendered service entitling them to the contributions. Liabilities associated with this Plan are held with the Province.

**(ii) Other Benefits**

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a retirement allowance.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed on an annual basis, based on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses on Hydro's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred. Pursuant to Board Order No. P.U. 36 (2015), Hydro recognizes the amortization of employee future benefit actuarial gains and losses in the Non-Consolidated Statement of Profit and Comprehensive Income as a regulatory adjustment.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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The retirement benefit obligation recognized in the Non-Consolidated Statement of Financial Position represents the present value of the defined benefit obligation.

**2.10 Provisions**

A provision is a liability of uncertain timing or amount. A provision is recognized if Hydro has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Non-Consolidated Statement of Financial Position date using the current discount rate.

**2.11 Decommissioning, Restoration and Environmental Liabilities**

Legal and constructive obligations associated with the retirement of property, plant and equipment are recorded as liabilities when those obligations are incurred and are measured as the present value of the expected costs to settle the liability, discounted at a rate specific to the liability. The liability is accreted up to the date the liability will be incurred with a corresponding charge to net finance expense. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the cost of the related asset or expensed in the Non-Consolidated Statement of Profit and Comprehensive Income if the liability is short-term in nature.

**2.12 Revenue from Contracts with Customers**

Hydro recognizes revenue from contracts with customers related to the sale of electricity to regulated Provincial industrial, utility and direct customers in rural Newfoundland and Labrador and to non-regulated industrial, utility and external market customers. In addition, Hydro recognizes revenue from the sale of Greenhouse Gas performance credits.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Hydro recognizes revenue when it transfers control of a product or service to a customer.

Revenue from the sale of energy is recognized when Hydro satisfies its performance obligation by transferring energy to the customer. Sales within the Province are primarily at rates approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), whereas export sales and sales to other certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates. Hydro recognizes revenue at the amount to which it has the right to invoice, which corresponds directly to the value of Hydro's performance to date.

Revenue from the sale of Greenhouse Gas performance credits is recognized when Hydro satisfies its performance obligation by transferring the title of Greenhouse Gas performance credits to the customer. Hydro recognizes revenue at the amount to which it has the right to invoice, which corresponds directly to the value of Hydro's performance to date.

**2.13 Leasing****Lessee Accounting**

Hydro assesses whether a contract is or contains a lease, at inception of a contract. Hydro recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, Hydro recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Hydro uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed (and in-substance) lease payments less any lease incentives;
- variable lease payments that depend on an index or rate; and
- payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

The lease liability is subsequently measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when Hydro changes its assessment of whether purchase, renewal or termination options will be exercised. Hydro did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Whenever Hydro incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Hydro expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in operating costs in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Hydro has elected to apply this practical expedient.

**2.14 Foreign Currencies**

Transactions in currencies other than Hydro's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses not included in regulatory deferrals are recorded in the Non-Consolidated Statement of Profit and Comprehensive Income as Other expense.

**2.15 Income Taxes**

Hydro is exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**2.16 Financial Instruments**Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Non-Consolidated Statement of Financial Position when Hydro becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets are classified at amortized cost, fair value through other comprehensive income (FVTOCI), FVTPL or as derivatives designated as hedging instruments in an effective hedge. Financial liabilities are classified at FVTPL, amortized cost or as derivatives designated as hedging instruments in an effective hedge. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets at Amortized Cost

Financial assets with contractual cash flows arising on specified dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Hydro's financial assets at amortized cost include cash, trade and other receivables, and sinking fund investments.

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not a part of a designated hedging relationship. Currently, Hydro has no financial assets measured at FVTPL.

Financial Liabilities at Amortized Cost

Hydro subsequently measures all financial liabilities at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liability is derecognized.

Hydro's financial liabilities at amortized cost include trade and other payables, short-term borrowings and long-term debt.

Financial Liabilities at FVTPL

Financial liabilities that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Hydro's financial liabilities measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Derecognition of Financial Instruments

Hydro derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Hydro derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.



**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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Impairment of Financial Assets

Hydro recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Hydro always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on Hydro's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Hydro also records 12-month ECL for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are cash and sinking funds.

For all other financial instruments, Hydro recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, Hydro measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**2.17 Government Grants**

Government grants are recognized when there is reasonable assurance that Hydro will comply with the associated conditions and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which Hydro recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Hydro should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the Non-Consolidated Statement of Financial Position and transferred to the Non-Consolidated Statement of Profit and Comprehensive Income on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Hydro with no future related costs are recognized in the Non-Consolidated Statement of Profit and Comprehensive Income in the period in which they become receivable.

**2.18 Regulatory Deferrals**

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service methodology. Hydro's allowed rate of return on average rate base approved in Board Order No. P.U. 30 (2019) is 5.4% in 2024 and 5.4% in 2023. Hydro applies various regulator approved accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally, these policies result in the deferral and amortization of costs or credits which are expected to be recovered or refunded in future rates. In the absence of rate regulation, these amounts would be included in the determination of profit or loss in the year the amounts are incurred. The effects of rate regulation on the financial statements are disclosed in Note 11.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the financial statements in conformity with IFRS Accounting Standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates, including changes as a result of future decisions made by the PUB. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

**3.1 Use of Judgments****(i) Property, Plant and Equipment**

Hydro's accounting policy relating to property, plant and equipment is described in Note 2.4. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for Hydro's property, plant and equipment.

**(ii) Revenue**

Management exercises judgment in estimating the value of electricity consumed by retail customers in the period, but billed subsequent to the end of the reporting period. Specifically, this involves an estimate of consumption for each retail customer, based on the customer's past consumption history.

When recognizing deferrals and related amortization of costs or credits, Management assumes that such costs or credits will be recovered or refunded through customer rates in future years. Recovery of some of these deferrals is subject to a future PUB order. As such, there is a risk that some or all of the regulatory deferrals will not be approved by the PUB which could have a material impact on Hydro's profit or loss in the year the order is received.

**(iii) Determination of CGUs**

Hydro's accounting policy relating to impairment of non-financial assets is described in Note 2.7. In applying this policy, Hydro groups assets into the smallest identifiable group for which cash flows are largely independent of the cash flows from other assets or groups of assets. Judgment is used in determining the level at which cash flows are largely independent of other assets or groups of assets.

**(iv) Discount Rates**

Certain of Hydro's financial liabilities are discounted using discount rates that are subject to Management's judgment.

**(v) Regulatory adjustments**

Regulatory assets and liabilities recorded in Hydro arise due to the rate setting process for regulated utilities governed by the PUB. The amounts relate to costs or credits which Management believes will be recovered or settled through customer rates in future periods, pursuant to the proceedings and outcomes of future PUB orders. Certain estimates are necessary since the regulatory environment often requires amounts to be recognized at estimated values until these amounts are finalized pursuant to regulatory decisions or other regulatory proceedings. The final amounts approved by the PUB for deferral as regulatory assets and liabilities and the approved recovery or settlement periods may differ from those originally expected. Any resulting adjustments to original estimates could have a material impact and are recognized in profit or loss in the period in which they become known.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**3.2 Use of Estimates****(i) Property, Plant and Equipment**

Amounts recorded for depreciation are based on the useful lives of Hydro's assets. The useful lives of property, plant and equipment are determined by independent specialists and reviewed annually by Hydro. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

**(ii) Decommissioning Liabilities**

Hydro recognizes a liability for the fair value of the future expenditures required to settle obligations associated with the retirement of property, plant and equipment. Decommissioning liabilities are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of decommissioning liabilities is included in the Non-Consolidated Statement of Profit and Comprehensive Income through net finance expense. Differences between the recorded decommissioning liabilities and the actual decommissioning costs incurred are recorded as a gain or loss in the settlement period.

**(iii) Employee Future Benefits**

Hydro provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee benefits is accounted for on an accrual basis, and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

**(iv) Deferred Assets and Derivative Liabilities**

Effective October 1, 2015, Hydro entered into a power purchase agreement (PPA) with Nalcor Energy Marketing Corporation (Energy Marketing) which allows for the purchase of available Recapture energy from Hydro for resale by Energy Marketing. Additionally, the PPA allows for the use of Hydro's transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009. The current terms of the PPA require a 60 day termination notice by either party. Management's assumption is that the term of the PPA at December 31, 2024, will continue for at least the next 12 months.

Fair values relating to Hydro's financial instruments and derivatives that have been classified as Level 3 have been determined using inputs for the assets or liabilities that are not readily observable. Certain of these fair values are classified as Level 3 as the transactions do not occur in an active market, or the terms extend beyond the period for which a quoted price is available.

Hydro's PPA with Energy Marketing is accounted for as a derivative instrument. Where Hydro determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the derivative transactions are initially measured at fair value and the expected difference is deferred. Subsequently, the deferred difference is recognized in profit or loss on an appropriate basis over the life of the related derivative instrument but not later than when the valuation is wholly supported by observable market data or the transaction has occurred.

Hydro has elected to defer the difference between the fair value of the power purchase derivative liability upon initial recognition and the transaction price of the power purchase derivative liability and to amortize the deferred asset on a straight-line basis over its effective term (Note 7). These methods, when compared with alternatives, were determined by Management to most accurately reflect the nature and substance of the transactions.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES**

The following is a list of applicable standards/interpretations that have been issued and are effective for accounting periods commencing on or after January 1, 2024, as specified.

- *Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*<sup>1</sup>
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity*<sup>2</sup>
- *IFRS 18 – Presentation and Disclosures in Financial Statements*<sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2024.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

**4.1 Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants**

The IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The classification is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. Additional information was added to clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are applied retrospectively upon adoption. The application of these amendments did not have a material impact on Hydro's financial statements.

**4.2 Amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity**

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. Management is currently assessing the potential impact on Hydro's financial statements.

**4.3 IFRS 18 – Presentation and Disclosures in Financial Statements**

IFRS 18 replaces IAS 1, carrying forward many of the requirements of IAS 1 unchanged and introducing new requirements to present specified categories and defined subtotals in the statement of profit or loss. As well, entities will be required to provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation. In addition, some IAS 1 paragraphs have been moved to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7. Furthermore, the IASB has made minor amendments to *IAS 7 – Statement of Cash Flows*.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. Management is currently assessing the potential impact on Hydro's financial statements.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

**5. TRADE AND OTHER RECEIVABLES**

<i>As at December 31 (millions of Canadian dollars)</i>	Note	<b>2024</b>	2023
Trade receivables		<b>130</b>	125
Other receivables		<b>24</b>	9
Due from related parties	26	<b>7</b>	5
Loss allowance		<b>(24)</b>	(23)
		<b>137</b>	116

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	2023
0-60 days	<b>134</b>	114
60+ days	<b>3</b>	2
	<b>137</b>	116

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	2023
Loss allowance, beginning of the year	<b>(23)</b>	(19)
Change in balance during the year	<b>(1)</b>	(4)
Loss allowance, end of the year	<b>(24)</b>	(23)

**6. INVENTORIES**

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	2023
Fuel	<b>59</b>	59
Materials and other	<b>45</b>	42
	<b>104</b>	101

Fuel inventory includes No. 6 fuel in the amount of \$44.4 million (2023 - \$41.0 million). The cost of inventories recognized as an expense during the year is \$173.1 million (2023 - \$190.7 million) and is included in operating costs and fuels.

**7. DEFERRED ASSET**

The deferred asset related to Hydro's Power Purchase Agreement (PPA) with Energy Marketing is amortized into income on a straight-line basis over the assumed twelve month term of the contract, which commenced on January 1, 2024. In December 2024, Management assessed the anticipated contract term and determined that a new deferred asset and derivative liability was required. This resulted in a deferred asset addition of \$83.9 million (2023 - \$68.1 million) to be amortized into income on a straight-line basis over the assumed twelve month term, commencing on January 1, 2025. The components of change are as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	2023
Deferred asset, beginning of the year	<b>68</b>	86
Additions	<b>84</b>	68
Amortization	<b>(68)</b>	(86)
Deferred asset, end of the year	<b>84</b>	68

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

## 8. PROPERTY, PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i>	Generation Plant	Transmission and Distribution	Other	Assets Under Development	Total
Cost					
Balance at January 1, 2023	1,445	1,263	147	38	2,893
Additions	-	-	-	150	150
Disposals	(7)	(2)	(6)	-	(15)
Transfers	50	46	13	(109)	-
Decommissioning liabilities and revisions	9	-	-	-	9
Other adjustments	(1)	(1)	-	(2)	(4)
<b>Balance at December 31, 2023</b>	<b>1,496</b>	<b>1,306</b>	<b>154</b>	<b>77</b>	<b>3,033</b>
<b>Additions</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>163</b>
<b>Disposals</b>	<b>(15)</b>	<b>(2)</b>	<b>(8)</b>	<b>-</b>	<b>(25)</b>
<b>Transfers</b>	<b>81</b>	<b>76</b>	<b>16</b>	<b>(174)</b>	<b>(1)</b>
<b>Decommissioning liabilities and revisions</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Other adjustments</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(2)</b>
<b>Balance at December 31, 2024</b>	<b>1,561</b>	<b>1,380</b>	<b>162</b>	<b>66</b>	<b>3,169</b>
Depreciation					
Balance at January 1, 2023	372	226	59	-	657
Depreciation	33	30	8	-	71
Disposals	(3)	(1)	(6)	-	(10)
<b>Balance at December 31, 2023</b>	<b>402</b>	<b>255</b>	<b>61</b>	<b>-</b>	<b>718</b>
<b>Depreciation</b>	<b>39</b>	<b>32</b>	<b>8</b>	<b>-</b>	<b>79</b>
<b>Disposals</b>	<b>(11)</b>	<b>(1)</b>	<b>(7)</b>	<b>-</b>	<b>(19)</b>
<b>Balance at December 31, 2024</b>	<b>430</b>	<b>286</b>	<b>62</b>	<b>-</b>	<b>778</b>
Carrying value					
Balance at January 1, 2023	1,073	1,037	88	38	2,236
Balance at December 31, 2023	1,094	1,051	93	77	2,315
<b>Balance at December 31, 2024</b>	<b>1,131</b>	<b>1,094</b>	<b>100</b>	<b>66</b>	<b>2,391</b>

Capitalized interest for the year ended December 31, 2024 was \$2.0 million (2023 - \$1.9 million) related to assets under development.

## 9. SINKING FUND INVESTMENTS

As at December 31, 2024, sinking funds include \$211.2 million (2023 - \$205.9 million) related to repayment of Hydro's long-term debt. Sinking fund investments consist of bonds, debentures, short-term borrowings and coupons issued by, or guaranteed by, the Government of Canada, provincial governments or Schedule 1 banks, and have maturity dates ranging from 2025 to 2033.

Hydro debentures, which are intended to be held to maturity, are deducted from debt while all other sinking fund investments are shown separately on the Non-Consolidated Statement of Financial Position as assets. Annual contributions to the various sinking funds are in accordance with bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 1.42% to 6.82% (2023 - 1.42% to 6.82%).

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

The movement in sinking funds for the year is as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Sinking funds, beginning of the year	<b>206</b>	202
Contributions	<b>7</b>	7
Change in sinking fund investments in own debentures	<b>(17)</b>	(17)
Earnings	<b>15</b>	14
Sinking funds, end of the year	<b>211</b>	206
Less: sinking fund investments maturing within one year	<b>(20)</b>	(7)
	<b>191</b>	199

Sinking fund instalments due over the next five years are as follows:

<i>(millions of Canadian dollars)</i>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Sinking fund instalments	7	4	4	4	4

**10. INVESTMENTS IN JOINT ARRANGEMENTS**

<i>As at December 31 (millions of Canadian dollars)</i>	<b>Ownership Interest</b>	<b>2024</b>	<b>2023</b>
Churchill Falls	65.8%		
Shares, at cost		<b>167</b>	167
Equity in retained earnings, beginning of the year		<b>561</b>	531
Accumulated other comprehensive income, beginning of the year		<b>4</b>	5
Other comprehensive loss		-	(1)
Equity in profit for the year		<b>46</b>	30
		<b>778</b>	732

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

## 11. REGULATORY DEFERRALS

		January 1	Reclass &	Regulatory	December 31	Remaining
		2024	Disposition	Activity	2024	Recovery
						Settlement
						Period
						(years)
<i>(millions of Canadian dollars)</i>						
<b>Regulatory asset deferrals</b>						
Power purchase expense recognition	(a)	440	-	286	<b>726</b>	n/a
Supply cost variance deferral account	(b)	271	-	261	<b>532</b>	n/a
Muskrat Falls PPA monetization	(c)	13	-	61	<b>74</b>	n/a
Retirement asset pool	(d)	40	-	6	<b>46</b>	n/a
Foreign exchange losses	(e)	39	-	(2)	<b>37</b>	17.0
Rate stabilization plan (RSP)	(f)	47	12	(28)	<b>31</b>	n/a
Muskrat Falls PPA sustaining capital	(g)	5	-	11	<b>16</b>	n/a
Business system transformation program	(h)	9	-	2	<b>11</b>	n/a
Deferred energy conservation costs	(i)	7	-	1	<b>8</b>	n/a
Supply deferral	(j)	12	(12)	6	<b>6</b>	n/a
Other	(k-p)	6	-	-	<b>6</b>	n/a
		<b>889</b>	<b>-</b>	<b>604</b>	<b>1,493</b>	
<b>Regulatory liability deferrals</b>						
Removal provision	(q)	(23)	-	(4)	<b>(27)</b>	n/a
Holyrood thermal generating station (TGS) accelerated depreciation deferral account	(r)	(10)	-	(4)	<b>(14)</b>	n/a
Insurance amortization and proceeds	(s)	(4)	-	-	<b>(4)</b>	n/a
Other	(t-w)	(6)	-	(1)	<b>(7)</b>	n/a
		<b>(43)</b>	<b>-</b>	<b>(9)</b>	<b>(52)</b>	

## 11.1 Regulatory Adjustments Recorded in the Non-Consolidated Statement of Profit and Comprehensive Income

		2024	2023
<i>For the year ended December 31 (millions of Canadian dollars)</i>			
Power purchase expense recognition	(a)	<b>(286)</b>	(275)
Supply cost variance deferral account	(b)	<b>(261)</b>	(81)
Muskrat Falls PPA monetization	(c)	<b>(61)</b>	13
RSP	(f)	<b>28</b>	14
Muskrat Falls PPA sustaining capital	(g)	<b>(11)</b>	(4)
Supply deferral	(j)	<b>(6)</b>	(12)
Retirement asset pool	(d)	<b>(6)</b>	(5)
Holyrood TGS accelerated depreciation deferral account	(r)	<b>4</b>	10
Removal provision	(q)	<b>4</b>	1
Other	(e,h-i,k-p,s-w)	<b>(2)</b>	(3)
		<b>(597)</b>	(342)

The following section describes Hydro's regulatory assets and liabilities which will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit for 2024 would have decreased by \$596.9 million (2023 - \$342.4 million).

## 11.(a) Power Purchase Expense Recognition

In Board Order No's. P.U. 9 (2021) and P.U. 33 (2021), the PUB approved Hydro's proposal to deviate from IFRS to allow recognition of expenses related to the purchase of energy in accordance with the commercial terms of the Muskrat Falls Power Purchase Agreement and Labrador-Island Link Transmission Funding Agreement (TFA). For the year ended December 31, 2024, IFRS power purchase expenses were \$286.2 million (2023 - \$274.5 million) higher than commercial payments which resulted in a total regulatory asset of \$726.5 million (2023 - \$440.3 million).



**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**11.(b) Supply Cost Variance Deferral Account**

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer payments under the Muskrat Falls Project agreements, rate mitigation funding, project cost recovery from customers and supply cost variances.

On May 16, 2024, the Province announced the finalization of its Rate Mitigation Plan. The Plan ensures domestic rate increases, for customers subject to Island Interconnected System rates, attributable to Hydro's costs are targeted at 2.25% per year up to and including 2030. The Plan also requires that any additional rate mitigation funding required to mitigate Lower Churchill costs for the period up to and including 2030 come from Hydro and Nalcor's own sources, to the extent possible.

The Province has also directed Hydro and Nalcor to retire the ending 2023 Supply Cost Variance Deferral Account (SCVDA) balance of \$271.3 million over the 2024-2026 period, and to transfer \$90.0 million from Nalcor to Hydro, in 2024, as the first year of the three annual amounts to retire the 2023 balance. (In 2023 a \$190.4 million grant was provided by the Province). In 2024, the second drawing on the convertible debenture of \$150.3 million, including interest (2023 - \$144.7 million), was received by LIL (2021) Limited Partnership and the funds were transferred to Hydro for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs. The total amount of rate mitigation funding received in 2024 was \$240.3 million (2023 - \$335.1 million). This rate mitigation funding offset by normal activity of the SCVDA of \$500.8 million (2023 - \$416.0 million), resulted in a net increase in the account of \$260.4 million (2023 - \$80.9 million). The total balance owing from customers for year ended December 31, 2024 is \$531.7 million (2023 - \$271.3 million). In February 2025, Hydro applied \$441.0 million of rate mitigation funding against the SCVDA. Use of these funds from Hydro's own sources reduces Hydro's non-regulated net income.

**11.(c) Muskrat Falls PPA Monetization**

Under the Muskrat Falls PPA, following the calendar year end, Hydro is able to monetize an amount of undelivered Schedule II energy at an Annual Average Sales Price of Muskrat Falls energy exports for the previous year. In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the Board approved Hydro's proposal to recognize an estimate of the monetized energy in the year in which the energy was exported by Muskrat Falls, instead of waiting until Hydro can monetize in the following year resulting in a regulatory receivable. In 2024, Hydro eliminated the 2023 balance of the regulatory receivable in the amount of \$13.3 million upon actual monetization of the 2023 undelivered Schedule II energy and recorded a regulatory receivable for the estimated monetization of 2024 undelivered Schedule II energy of \$73.8 million (2023 - \$13.3 million).

**11.(d) Retirement Asset Pool**

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the deferral of gains and losses on retirement of assets. The deferral will be recovered through future depreciation expense. In 2024, Hydro deferred \$5.8 million (2023 - \$4.8 million) of retirement asset activity resulting in a total balance of \$45.9 million (2023 - \$40.2 million).

**11.(e) Foreign Exchange Losses**

In 2002, the PUB ordered Hydro to defer realized foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt and amortize the balance over a 40 year period. Accordingly, these costs were recognized as a regulatory asset. During 2024, amortization expense of \$2.2 million (2023 - \$2.2 million) was recorded.

**11.(f) RSP**

In 1986, the PUB ordered Hydro to implement the RSP which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, hydrology, load and associated interest. Adjustments required in utility rates to cover the amortization of the balance are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Per Board Order No. P.U. 33 (2021) and Hydro's compliance filing, the RSP was discontinued for purposes of deferring variations in hydraulic production, No. 6 fuel and load as at October 31, 2021. The Board ordered that the RSP should be maintained to provide timely recovery of the remaining balance which results in the continuation of recovery and

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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interest charges and, in 2024, Hydro recovered \$30.2 million (2023 - \$16.5 million) from customers. As well, Board Order No. P.U. 10 (2024) approved the recovery of the 2023 Isolated Systems Supply Cost Variance Deferral from the RSP Current Plan resulting in an increase to the RSP of \$11.6 million (2023 - \$8.7 million). This activity and associated interest accrued of \$2.2 million in 2024 (2023 - \$3.0 million) resulted in a remaining balance for future recovery from customers of \$31.0 million (2023 - \$47.4 million).

**11.(g) Muskrat Falls PPA Sustaining Capital**

In Board Order No. P.U. 33 (2021), the PUB approved Hydro's proposal to defer contributions required to be made by Hydro for sustaining capital investments pursuant to the Muskrat Falls PPA with recovery to be addressed in Hydro's next general rate application. In 2024, Hydro has deferred \$11.0 million (2023 - \$4.4 million) in contribution activity resulting in a total balance of \$15.9 million (2023 - \$4.9 million).

**11.(h) Business System Transformation Program**

In Board Order No.'s P.U. 23 (2019) and P.U. 30 (2019), the Board approved the deferral of business system transformation program costs. The recovery of the deferral is subject to a future Board order. In Board Order No. P.U. 27, (2022), the Board approved the recovery of a portion of the deferred costs up to the end of 2022, which totalled \$6.7 million, through customer rates to be established in Hydro's next general rate application. During the year, Hydro deferred \$1.5 million (2023 - \$1.5 million), resulting in a total deferral of \$10.7 million (2023 - \$9.2 million).

**11.(i) Deferred Energy Conservation Costs**

In 2024, Hydro deferred \$1.4 million (2023 - \$1.4 million) in Energy Conservation Costs associated with an electrical conservation demand management program for residential, industrial, and commercial sectors. As per Board Order No. P.U. 22 (2017), Hydro recovered \$0.9 million (2023 - \$1.6 million) of the balance through a rate rider which resulted in a total deferred balance of \$7.8 million (2023 - \$7.3 million).

**11.(j) Supply Deferral**

The Supply Deferral consists of the Isolated Systems Supply Cost Variance Deferral only as per Board Order No. P.U. 33 (2021). During 2024, Hydro recorded a net decrease in the supply deferral asset of \$5.6 million (2023 - \$3.4 million increase) resulting in a balance from customers of \$6.7 million (2023 - \$12.3 million). The decrease is primarily due to the recovery of the 2023 Isolated System Supply Cost Variance Deferral balance as per Board Order No. P.U. 10 (2024) with \$11.6 million of the total (2023 - \$8.7 million) recovered from the current RSP Plan, partially offset by the normal operation of the deferral of \$6.5 million (2023 - \$5.6 million).

**11.(k) Deferred Foreign Exchange on Fuel**

Hydro purchases fuel for its Holyrood TGS in USD. There are regulatory mechanisms that allow Hydro to defer variances in fuel prices, including foreign exchange fluctuations. During 2024, Hydro recognized an increase to regulatory assets due to foreign exchange on fuel purchases of \$1.1 million (2023 - decrease to regulatory assets due to foreign exchange on fuel purchases of \$0.2 million).

**11.(l) Phase Two Hearing Costs**

Pursuant to Board Order No. P.U. 13 (2016), Hydro received approval to defer consulting fees and salary related costs relating to Phase Two of the investigation into the reliability and adequacy of power on the Island Interconnected system after the interconnection with the Muskrat Falls generating station. In 2019, Phase Two of the Board's investigation was concluded with recovery to be addressed in a future Board Order. There were no additions in 2024 or 2023. The total deferred balance is \$1.4 million (2023 - \$1.4 million).

**11.(m) Asset Disposal**

As per Board Order No. P.U. 49 (2016), the Board ordered that Hydro recognize a regulatory asset of \$0.4 million related to the Sunnyside transformer that was disposed of in 2014. Hydro is required to recover the deferred asset in rate base and amortize the asset for 22.4 years commencing in 2015. Hydro is required to exclude the new Sunnyside transformer from rate base until the Sunnyside transformer original asset deferral has been fully amortized.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

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**11.(n) Non-Customer Contributions in Aid of Construction**

Pursuant to Board Order No. P.U. 1 (2017), Hydro recognized amortization of deferred contributions in aid of construction (CIAC) from entities which are non-customer related parties in profit or loss. During 2024, Hydro recorded \$1.1 million (2023 - \$1.2 million) in non-customer CIAC amortization as a regulatory adjustment. In the absence of rate regulation, IFRS requires these non-customer CIACs to be recorded as contributed capital with no corresponding amortization. As a result, during 2024 Hydro also recorded a decrease of \$1.1 million (2023 - \$1.2 million) to contributed capital to recognize the amount that was reclassified to profit or loss.

**11.(o) Employee Future Benefits Actuarial Loss**

Pursuant to Board Order No. P.U. 36 (2015), Hydro has recognized the amortization of employee future benefit actuarial gains and losses in net income. During 2024 Hydro recorded \$1.0 million (2023 - \$2.0 million) employee future benefits losses as a regulatory adjustment. In the absence of rate regulation, IFRS would require Hydro to include employee future benefits actuarial gains and losses in other comprehensive income. As a result, during 2024 Hydro also recorded a decrease of \$1.0 million (2023 - \$2.0 million) to other comprehensive income to recognize the amount that was reclassified to profit or loss.

**11.(p) Reliability and Resource Adequacy Study**

In Board Order No. P.U. 29 (2019), the Board approved the deferral of costs associated with the Reliability and Resource Adequacy proceeding. Hydro deferred \$0.3 million in 2024 (2023 - \$0.3 million) resulting in a regulatory asset of \$3.0 million (2023 - \$2.7 million). The recovery of the balance is to be determined in a future Board Order.

**11.(q) Removal Provision**

In Board Order No. P.U. 30 (2019), the Board approved Hydro's proposed depreciation methodology which includes the provision for removal costs. Hydro recorded a net increase to the provision relating to 2024 activity of \$4.1 million (2023 - \$0.8 million) resulting in a total balance of \$26.9 million (2023 - \$22.8 million). The increase was driven by removal depreciation of \$5.8 million (2023 - \$5.5 million) which was partially offset by removal costs of \$1.7 million (2023 - \$4.7 million).

**11.(r) Holyrood TGS Accelerated Depreciation Deferral Account**

In Board Order No's. P.U. 33 (2021) and P.U. 4 (2022), the PUB approved Hydro's proposal to establish an account to defer, for future recovery, any difference in excess of  $\pm$ \$2.5 million, between the accelerated depreciation expense for Holyrood TGS in 2023 and 2024 and the accelerated depreciation expense included in the approved 2019 Test Year. For the year ended December 31, 2024, the Holyrood accelerated depreciation expense was \$6.8 million lower (2023 - \$12.3 million lower) than the 2019 Test Year depreciation resulting in a regulatory liability of \$14.1 million (2023 - \$9.8 million). The disposition of the balance of this account is subject to a further Board Order from the PUB.

**11.(s) Insurance Amortization and Proceeds**

Pursuant to Board Order No. P.U. 13 (2012), Hydro records net insurance proceeds against the capital costs and amortizes the balance over the life of the asset. Under IFRS, Hydro is required to recognize the insurance proceeds and corresponding amortization in regulatory liabilities. During 2024, Hydro recorded a net decrease of \$0.1 million (2023 - \$0.1 million) to the regulatory liability resulting in a balance of \$3.9 million (2023 - \$4.0 million). The decrease was driven by insurance amortization of \$0.1 million (2023 - \$0.1 million).

**11.(t) Frequency Converter Revenue Deferral Account**

In Board Order No. P.U. 35 (2020), the PUB approved the deferral of the cumulative revenue requirement impact associated with the loss on the sale of a frequency converter, commencing December, 2019. The disposition of the cumulative revenue requirement impact included in the deferral account balance will be addressed as part of Hydro's next general rate application. During 2024, Hydro deferred \$0.2 million as a regulatory liability (2023 - \$0.2 million) resulting in a balance payable of \$1.2 million (2023 - \$0.9 million).

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****11.(u) Hydraulic Resources Optimization Deferral Account**

In Board Order No. P.U. 49 (2018), a deferral account to capture the revenues and costs associated with the hydraulic optimization activities was approved. For the year, hydraulic optimization activities were an addition of \$0.1 million (2023 - \$nil) resulting in a total balance of \$5.8 million (2023 - \$5.7 million) recorded as a deferred liability.

**11.(v) Deferred Purchased Power Savings**

In 1997, the PUB ordered Hydro to defer \$1.1 million related to reduced purchased power rates resulting from the interconnection of communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec system and amortize the balance over a 30 year period. The remaining unamortized savings in the amount of \$0.1 million (2023 - \$0.1 million) are deferred as a regulatory liability.

**11.(w) Electrification Cost Deferral Account**

In Board Order No. P.U. 33 (2023), the PUB approved Hydro's proposal to establish an account to defer costs related to electrification initiatives. In 2024, Hydro recorded \$nil (2023 - \$0.1 million) in the account relating to the net of 2024 depreciation expense of the electric vehicle charging stations and the amortization of contributions in aid of construction resulting in a total balance of \$0.1 million (2023 - \$0.1 million).

**12. TRADE AND OTHER PAYABLES**

<i>As at December 31 (millions of Canadian dollars)</i>	Note	2024	2023
Trade payables		104	93
Due to related parties	26	58	35
Accrued interest payable		17	17
Other payables		20	22
		199	167

**13. DEBT****13.1 Short-term Borrowings**

Hydro has a \$300.0 million provincially guaranteed promissory note program and a \$500.0 million committed credit facility to fulfil its short-term funding requirements. As at December 31, 2024, there were four promissory notes outstanding for a total of \$300.0 million with a maturity date of January 2, 2025 bearing interest rates ranging from 3.31% to 3.36% (2023 - two promissory notes for a total of \$230.0 million maturing January 2, 2024 bearing interest rates ranging from 5.15% to 5.17%). Upon maturity, the promissory notes were reissued.

Hydro's \$500.0 million committed revolving term credit facility has a maturity date of July 31, 2025. As at December 31, 2024, there was an advance on the credit facility in the amount of \$290.0 million with a maturity date of January 2, 2025 bearing interest at a rate of 4.09% (2023 - \$nil). Upon maturity the advance was reissued. This amount combined with the \$300.0 million provincially guaranteed promissory note program resulted in total short-term borrowings of \$590.0 million as at December 31, 2024 (2023 - \$230.0 million).

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****13.2 Long-term Debt**

The following table represents the value of long-term debt measured at amortized cost:

<i>As at December 31 (millions of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	2024	2023
Hydro						
Y *	300	8.40	1996	2026	299	298
AB *	300	6.65	2001	2031	303	304
AD *	125	5.70	2003	2033	124	124
AF	500	3.60	2014/2017	2045	483	483
1A	600	3.70	2017/2018	2048	636	636
2A	300	1.75	2021	2030	291	290
Total	2,125				2,136	2,135
Less: Sinking fund investments in own debentures					128	111
					2,008	2,024
Less: Sinking fund payments due within one year					7	7
					2,001	2,017

\*Sinking funds have been established for these issues.

Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province with the exception of Series 1A and 2A. The Province charges Hydro a guarantee fee of 25 basis points annually on the total debt (net of sinking funds) with a remaining term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years for debt outstanding as of December 31, 2010. For debt issued subsequent to December 31, 2010, the guarantee rate is 25 basis points annually on the total debt (net of sinking funds) with an original term to maturity of less than or equal to 10 years and 50 basis points annually on total debt (net of sinking funds) with an original term to maturity greater than 10 years. The guarantee fee recorded for the year ended December 31, 2024 was \$8.9 million (2023 - \$8.8 million).

**14. DEFERRED CONTRIBUTIONS**

Hydro has received contributions in aid of construction of property, plant and equipment. These contributions are deferred and amortized to other revenue over the life of the related property, plant and equipment asset.

<i>As at December 31 (millions of Canadian dollars)</i>	2024	2023
Deferred contributions, beginning of the year	39	36
Additions	4	4
Amortization	(1)	(1)
Deferred contributions, end of the year	42	39
Less: current portion	(1)	(1)
	41	38

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****15. DEFERRED CREDITS**

Deferred credits include contributions received from customers to complete interconnection studies and obligations to provide future transmission services to Energy Marketing.

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Deferred credits, beginning of the year	<b>4</b>	<b>3</b>
Net additions	<b>4</b>	<b>1</b>
Deferred credits, end of the year	<b>8</b>	<b>4</b>
Less: current portion	<b>(8)</b>	<b>(4)</b>
	<b>-</b>	<b>-</b>

**16. DECOMMISSIONING LIABILITIES**

Hydro has recognized liabilities associated with the retirement of portions of the Holyrood TGS and the disposal of Polychlorinated Biphenyls (PCB).

The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities for December 31, 2024 and 2023 are as follows:

<i>As at December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Decommissioning liabilities, beginning of the year	<b>27</b>	<b>17</b>
Accretion	<b>1</b>	<b>1</b>
Revisions	<b>1</b>	<b>9</b>
Decommissioning liabilities, end of the year	<b>29</b>	<b>27</b>
Less: current portion	<b>(2)</b>	<b>-</b>
	<b>27</b>	<b>27</b>

The total estimated undiscounted cash flows required to settle the Holyrood TGS obligations at December 31, 2024 are \$34.9 million (2023 - \$34.8 million). Payments to settle the liability are expected to occur between 2025 and 2031. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at Hydro's credit adjusted risk free rate of 3.4% (2023 - 3.8%). Hydro has recorded \$28.5 million (2023 - \$26.4 million) related to Holyrood TGS obligations.

The total estimated undiscounted cash flows required to settle the PCB obligations at December 31, 2024 are \$0.2 million (2023 - \$0.3 million). Payments to settle the liability are expected to occur in 2025. The fair value of the decommissioning liabilities was determined using the present value of future cash flows discounted at Hydro's credit adjusted risk free rate of 3.3% (2023 - 4.2%). Hydro has recorded \$0.2 million (2023 - \$0.2 million) related to PCB obligations.

Hydro's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Hydro's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related decommissioning liability cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Hydro is required to remove, a decommissioning liability for those assets will be recognized at that time.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

**17. LEASES**

**Amounts Recognized in the Non-Consolidated Statement of Profit and Comprehensive Income**

*For the year ended December 31 (millions of Canadian dollars)*

		<b>2024</b>	<b>2023</b>
Variable lease payments not included in the measurement of leases	(a)	28	30

(a) Variable lease payments not included in the measurement of leases include payments made to Nalcor for power generated from assets which are owned by the Province. These variable lease payments are included in power purchased in the Non-Consolidated Statement of Profit and Comprehensive Income.

The total cash outflow for leases for the year ended December 31, 2024 amount to \$28.4 million (2023 - \$29.8 million).

**18. EMPLOYEE FUTURE BENEFITS**

**18.1 Pension Plan**

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2024 of \$9.3 million (2023 - \$8.3 million) are expensed as incurred.

**18.2 Other Benefits**

Hydro provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases their surviving spouses, in addition to a retirement allowance. In 2024, cash payments to beneficiaries for its unfunded other employee future benefits were \$3.1 million (2023 - \$3.0 million). An actuarial valuation was performed as at December 31, 2024.

		<b>2024</b>	<b>2023</b>
<i>As at December 31 (millions of Canadian dollars)</i>			
Accrued benefit obligation, beginning of the year		<b>82</b>	71
Current service cost		<b>2</b>	2
Interest cost		<b>4</b>	3
Benefits paid		<b>(3)</b>	(3)
Actuarial loss	(a)	<b>3</b>	9
Transfers		<b>1</b>	-
Accrued benefit obligation, end of the year		<b>89</b>	82

(a) Pursuant to Board Order No. P.U. 36 (2015), Hydro recorded \$1.0 million (2023 - \$2.0 million) of employee future benefits losses as a regulatory adjustment to decrease other comprehensive income and recognize the amount in profit or loss.

		<b>2024</b>	<b>2023</b>
<i>For the year ended December 31 (millions of Canadian dollars)</i>			
Component of benefit cost			
Current service cost		<b>2</b>	2
Interest cost		<b>4</b>	3
Total benefit expense for the year		<b>6</b>	5

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expenses are as follows:

		<b>2024</b>	<b>2023</b>
Discount rate - benefit cost		<b>4.65%</b>	5.20%
Discount rate - accrued benefit obligation		<b>4.70%</b>	4.65%
Rate of compensation increase		<b>3.50%</b>	3.50%

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

Assumed healthcare trend rates:

	2024	2023
Initial health care expense trend rate	5.85%	6.00%
Cost trend decline to	3.60%	3.60%
Current rate 5.85%, reducing linearly to 3.6% in 2040 and thereafter.		

A 1% change in assumed health care trend rates would have had the following effects:

<i>Increase (millions of Canadian dollars)</i>	2024	2023
Current service and interest cost	1	1
Accrued benefit obligation	11	10
<i>Decrease (millions of Canadian dollars)</i>		
	2024	2023
Current service and interest cost	(1)	(1)
Accrued benefit obligation	(9)	(8)

**19. SHAREHOLDER'S EQUITY**

**19.1 Share Capital**

<i>As at December 31 (millions of Canadian dollars)</i>	2024	2023
Common shares of par value of \$1 each		
Authorized: 25,000,000		
Issued, paid and outstanding: 22,503,942	23	23

**19.2 Contributed Capital**

<i>As at December 31 (millions of Canadian dollars)</i>	2024	2023
Contributed capital for the year	150	150
Regulatory adjustment, beginning of the year	(7)	(6)
Amortization recognized as a regulatory adjustment	(1)	(1)
	142	143

During 2024, Lower Churchill Management Corporation (LCMC) contributed \$0.2 million (2023 - \$0.2 million) in additions to property, plant and equipment. Pursuant to Board Order No. P.U. 1 (2017), Hydro recognized \$1.1 million (2023 - \$1.2 million) in amortization as a regulatory adjustment.

**19.3 Dividends**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	2024	2023
Declared during the year		
Dividend for current year: \$nil per share (2023 - \$0.24)	-	5
	-	5



**NEWFOUNDLAND AND LABRADOR HYDRO**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

**20. OTHER REVENUE**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Rate mitigation funding (a)	<b>240</b>	335
Transmission tariff revenue	<b>37</b>	36
Greenhouse Gas performance credit sales	<b>20</b>	23
Recovery of supply power	<b>2</b>	9
Other	<b>5</b>	4
<b>Total other revenue</b>	<b>304</b>	<b>407</b>

(a) Rate mitigation funding is described in Note 11 (b).

**21. POWER PURCHASED**

The supply period and contractual payments of the PPA with Muskrat Falls, the PPA for Labrador Residual Block Use and the Labrador-Island Link TFA commenced in November 2021, February 2022 and April 2023, respectively. For the year ended December 31, 2024, Hydro recognized power purchase expense of \$1,026.8 million (2023 - \$865.9 million) associated with these agreements. The majority of these power purchase expenses are deferred in either the Supply Cost Variance Deferral account or the Power Purchase Expense Recognition account as described in Note 11.

**22. OPERATING COSTS**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Salaries and benefits	<b>94</b>	90
Maintenance and materials	<b>25</b>	31
Professional services	<b>12</b>	11
Travel and transportation	<b>5</b>	5
Insurance	<b>5</b>	5
Bad debt expense	<b>1</b>	5
Other operating costs	<b>8</b>	5
<b>Total operating costs</b>	<b>150</b>	<b>152</b>

**23. NET FINANCE EXPENSE**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Finance income		
Sinking fund	<b>15</b>	14
Other	<b>4</b>	4
	<b>19</b>	<b>18</b>
Finance expense		
Long-term debt	<b>98</b>	98
Short-term borrowings	<b>21</b>	6
Debt guarantee fee	<b>9</b>	9
Other	<b>3</b>	2
	<b>131</b>	<b>115</b>
Interest capitalized during construction	<b>(2)</b>	<b>(2)</b>
	<b>129</b>	<b>113</b>
<b>Net finance expense</b>	<b>110</b>	<b>95</b>

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****24. OTHER EXPENSE**

<i>For the year ended December 31 (millions of Canadian dollars)</i>		<b>2024</b>	2023
Loss on disposal of property, plant and equipment	(a)	<b>6</b>	5
Foreign exchange loss	(a)	<b>3</b>	-
Removal costs	(a)	<b>2</b>	5
Other		<b>5</b>	(1)
<b>Total other expense</b>		<b>16</b>	<b>9</b>

(a) The majority of these other expenses are deferred in either the Retirement Asset Pool account, Deferred Foreign Exchange on Fuel account, or Removal Provision account as described in Note 11.

**25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****25.1 Fair Value**

The estimated fair values of financial instruments as at December 31, 2024 and 2023 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Hydro might receive or incur in actual market transactions.

As a significant number of Hydro's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Hydro as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Hydro determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurement for the years ended December 31, 2024 and 2023.

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (millions of Canadian dollars)</i>		December 31, 2024		December 31, 2023	
Financial assets					
Sinking funds - investments in Hydro debt issue	2	128	129	111	111
Sinking funds - other investments	2	211	220	206	214
Financial liabilities					
Derivative liability	3	84	84	68	68
Long-term debt (including amount due within one year before sinking funds)	2	2,136	2,063	2,135	2,066

The fair value of cash, trade and other receivables, short-term borrowings and trade and other payables approximates their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include the derivative liability relating to the PPA with Energy Marketing and represents the future value provided to Energy Marketing through the contract.

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at December 31, 2024:

<i>(millions of Canadian dollars)</i>	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative liability (PPA)	84	Modelled pricing	Volumes (MWh)	34%-36% of available generation

The derivative liability arising under the PPA with Energy Marketing is designated as a Level 3 instrument as certain forward market prices and related volumes are not readily determinable to estimate a portion of the fair value of the derivative liability. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at December 31, 2024, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in a +\$1.5 million to +\$3.2 million change in the carrying value of the derivative liability.

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

The components of the change impacting the carrying value of the derivative liability for the years ended December 31, 2024 and 2023 are as follows:

<i>(millions of Canadian dollars)</i>	Level 3
<b>Balance at January 1, 2024</b>	<b>(68)</b>
<b>Purchases</b>	<b>(84)</b>
<b>Changes in profit or loss</b>	
<b>Settlements</b>	<b>68</b>
<b>Total</b>	<b>68</b>
<b>Balance at December 31, 2024</b>	<b>(84)</b>

<i>(millions of Canadian dollars)</i>	Level 3
Balance at January 1, 2023	(86)
Purchases	(68)
Changes in profit or loss	
Mark-to-market	23
Settlements	63
Total	86
Balance at December 31, 2023	(68)

## 25.2 Risk Management

Hydro is exposed to certain credit, liquidity and market risks through its operating, investing and financing activities. Financial risk is managed in accordance with Hydro's Board approved Financial Risk Management Policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Hydro's expected future cash flows.

### Credit Risk

Hydro's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash and cash equivalents and derivative assets as well as from the sale of electricity to customers, including the associated accounts receivable, is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Non-Consolidated Statement of Financial Position at the reporting date.

Credit risk on cash is minimal, as Hydro's cash deposits are held by a Schedule 1 Canadian Chartered Bank with a rating of A+ (Standard and Poor's).

Credit exposure on Hydro's sinking funds is limited by restricting the holdings to long-term debt instruments issued by the Government of Canada or any province of Canada, Crown corporations and Schedule 1 Canadian Chartered Banks. The following credit risk table provides information on credit exposures according to issuer type and credit rating for the remainder of the sinking funds portfolio:

	Issuer Credit Rating	Fair Value of Portfolio (%)	Issuer Credit Rating	Fair Value of Portfolio (%)
	2024		2023	
Provincial Governments	AA- to AAA	16.94%	AA- to AAA	14.09%
Provincial Governments	A- to A+	20.27%	A- to A+	24.27%
Provincially owned utilities	AA- to AAA	23.21%	AA- to AAA	24.13%
Provincially owned utilities	A- to A+	39.58%	A- to A+	37.51%
		<b>100.00%</b>		<b>100.00%</b>

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

Hydro's exposure to credit risk on its energy sales and associated accounts receivable is determined by the credit quality of its customers. Hydro's three largest customers account for 80.2% (2023 - 80.8%) of total energy sales and 61.3% (2023 - 72.7%) of accounts receivable.

Liquidity Risk

Hydro is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity is mainly provided through cash on hand, funds from operations, a \$300.0 million promissory note program and a \$500.0 million committed revolving term credit facility with a maturity date of July 31, 2025. Long-term liquidity risk is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2026 to 2048. Sinking funds have been established for certain issues.

The following are the contractual maturities of Hydro's financial liabilities, including principal and interest, as at December 31, 2024:

<i>(millions of Canadian dollars)</i>	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	199	-	-	-	199
Short-term borrowings	590	-	-	-	590
Derivative liability	84	-	-	-	84
Debt guarantee fee	9	17	16	116	158
Long-term debt including sinking funds	7	126	8	1,594	1,735
Interest	98	157	145	781	1,181
	987	300	169	2,491	3,947

Market Risk

In the course of carrying out its operating, financing and investing activities, Hydro is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Hydro has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably the USD/CAD, and current commodity prices, most notably the spot prices for fuel and electricity.

The derivative liability relates to the PPA with Energy Marketing and represents the future value provided to Energy Marketing through the contract. On September 14, 2016, the terms of the PPA were amended. Under the amendment, the PPA can be terminated by either party with notice provided 60 days prior to the intended termination date.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities, which includes Hydro's cash and sinking funds. Expected future cash flows associated with those financial instruments can also be impacted. The impact of a 0.5% change in interest rates on net income and other comprehensive income associated with cash and short-term debt was negligible throughout 2024 due to the short time period to maturity. Hydro is not exposed to interest rate risk on its long-term debt as all of Hydro's long-term debt has fixed interest rates.

Foreign Currency and Commodity Exposure

Hydro is exposed to USD foreign exchange and commodity price risk arising from its purchases of fuel used in electricity generation. Hydro is also exposed to commodity price risk associated with electricity prices. These risks are mitigated through the operation of the regulatory mechanisms.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****26. RELATED PARTY TRANSACTIONS**

Hydro enters into various transactions with its parent and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

Related parties with which Hydro transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of Hydro
The Province	100% shareholder of Nalcor
Churchill Falls	Joint arrangement of Hydro
Energy Marketing	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation (LCMC)	Wholly-owned subsidiary of Nalcor
Labrador-Island Link Operating Corporation (LIL Opco)	Wholly-owned subsidiary of Nalcor
Muskrat Falls Corporation (Muskrat Falls)	Wholly-owned subsidiary of Nalcor
Nalcor Energy – Oil and Gas Inc.	Wholly-owned subsidiary of Nalcor
Labrador Transmission Corporation	Wholly-owned subsidiary of Nalcor
Board of Commissioners of Public Utilities (PUB)	Agency of the Province
Labrador-Island Link Limited Partnership	Limited partnership between a wholly-owned subsidiary of Nalcor and KKR Island Link Incorporated

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Significant related party transactions, which are not otherwise disclosed separately in the financial statements, are summarized below:

<i>As at December 31 (millions of Canadian dollars)</i>	Notes	2024	2023
<b>Trade and other receivables:</b>	5		
The Province		2	1
Other related parties		5	4
<b>Contract receivable:</b>			
Other related parties	(a)	3	13
<b>Trade and other payables:</b>	12		
Parent		15	13
Joint operation		15	4
The Province		9	9
Other related parties		19	9
<b>Contract payable:</b>			
Other related parties	(b)	726	452
<b>Long-term debt:</b>			
The Province		927	926
<b>Other liabilities:</b>			
Other related parties		2	2
<i>For the year ended December 31 (millions of Canadian dollars)</i>		2024	2023
<b>Energy sales:</b>			
The Province		3	3
Other related parties		39	43
<b>Other revenue:</b>			
The Province		-	190
Parent		241	153
Other related parties		37	36
<b>Power purchases:</b>			
Joint operation		53	52
Parent		28	30
Other related parties	21	1,027	866
<b>Net operating expense (recovery):</b>			
Parent		7	5
Joint operation		(2)	(1)
<b>Net finance expense (income):</b>			
The Province		36	36
Other related parties		(2)	(2)

(a) Payments under the Labrador-Island Link TFA commenced in April 2023. The contract receivable balance represents the timing difference between the expense recognition of the value of the service delivered to Hydro and the contractual payments made under the agreement.

(b) Hydro entered into a PPA with Muskrat Falls for the purchase of energy and capacity from the Muskrat Falls Plant. The contract payable balance represents the timing difference between the value of the energy and capacity delivered to Hydro and the contractual payments made under the PPA.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS****26.1 Key Management Personnel Compensation**

Compensation for key management personnel, which Hydro defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include costs such as base salaries and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

<i>For the year ended December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Salaries and employee benefits	<b>2</b>	<b>2</b>

**27. COMMITMENTS AND CONTINGENCIES**

- (a) Hydro is subject to legal claims with respect to impact on land use, energy and capacity delivery, construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavorable outcome for Hydro, they may have a significant adverse impact on Hydro's financial position.
- (b) Outstanding commitments for capital projects total approximately \$81.4 million as at December 31, 2024 (2023 - \$35.0 million).
- (c) Hydro has entered into a number of long-term power purchase agreements as follows:

<b>Type</b>	<b>Rating</b>	<b>Effective Date</b>	<b>Term</b>
Hydroelectric	6.5 MW	2021	24 years
Hydroelectric	4 MW	2023	3 years
Hydroelectric	300 MW	1998	43 years
Hydroelectric	225 MW	2015	25 years
Hydroelectric	824 MW	2021	50 years
Cogeneration	15 MW	2023	10 years
Wind	390 kW	2004	Continual
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years
Hydroelectric, Solar, Battery	240 kW Hydro 189 kW Solar 334.5 kW Battery	2019	15 years
Solar	103 kW	2022	Continual

Estimated payments due in each of the next five years are as follows:

<i>(millions of Canadian dollars)</i>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Power purchases	885	861	871	884	891

- (d) Through a power purchase agreement signed October 1, 2015, with Energy Marketing, Hydro maintains the transmission services contract it entered into with Hydro-Québec TransÉnergie which concludes in 2029.

The transmission rental payments for the next five years are estimated to be as follows:

<i>(millions of Canadian dollars)</i>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Transmission rental payments	21	21	21	21	5



**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

- (e) In 2023, Hydro entered into a new long-term Capacity Assistance Arrangement (CAA) with Corner Brook Pulp and Paper (CBPP). This was approved by the Board Order No. P.U. 32 (2023). Under the terms this CAA will provide Hydro with up to 90 MW of relief power in the winter period and 50 MW in the summer period over a 15 year term. Payments under this contract are made monthly at a rate of \$80 per kW per year for the maximum capacity contracted, escalating by an annual consumer price index.

**28. CAPITAL MANAGEMENT**

Hydro's principal business requires ongoing access to capital in order to maintain assets to ensure the continued delivery of safe and reliable service to its customers. Therefore, Hydro's primary objective when managing capital is to ensure ready access to capital at a reasonable cost, to minimize its cost of capital within the confines of established risk parameters, and to safeguard Hydro's ability to continue as a going concern.

The capital managed by Hydro is comprised of debt (long-term debentures, short-term borrowings, bank credit facilities and bank indebtedness) and equity (share capital, shareholder contributions, reserves and retained earnings).

A summary of the capital structure is outlined below:

<i>(millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>		
<b>Debt</b>				
Sinking funds	<b>(211)</b>		(206)	
Short-term borrowings	<b>590</b>		230	
Current portion of long-term debt	<b>7</b>		7	
Long-term debt	<b>2,001</b>		2,017	
	<b>2,387</b>	<b>63.3%</b>	2,048	60.4%
<b>Equity</b>				
Share capital	<b>23</b>		23	
Contributed capital	<b>142</b>		143	
Reserves	<b>16</b>		19	
Retained earnings	<b>1,201</b>		1,159	
	<b>1,382</b>	<b>36.7%</b>	1,344	39.6%
<b>Total Debt and Equity</b>	<b>3,769</b>	<b>100.0%</b>	3,392	100.0%

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity, and its interest coverage.

For the regulated portion of Hydro's operations, Management targets a capital structure comprised of 75% debt and 25% equity, a ratio which Management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, shareholder contributions and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of the PUB. Hydro's committed credit facility has a covenant requiring Hydro to ensure that its consolidated debt to total capitalization ratio does not exceed 85%. As at December 31, 2024 and 2023, Hydro was in compliance with this covenant.

Legislation stipulates that the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. On December 15, 2023, the Lieutenant-Governor in Council issued Order in Council OC2023-272 to increase the level of short-term borrowings permitted by Hydro to \$700.0 million, effective until December 31, 2025 after which the level will decrease to \$500.0 million commencing January 1, 2026. Effective January 1, 2025, these limits have been revised to \$1.0 billion, reducing to \$800.0 million commencing January 1, 2026 as a result of amalgamation as described in Note 31. As at December 31, 2024, there was \$590.0 million (2023 - \$230.0 million) of short term debt outstanding.

**NEWFOUNDLAND AND LABRADOR HYDRO****NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

The Hydro Corporation Act, 2007 (the Act) limited Hydro's total borrowings outstanding at any point in time, which includes both short-term borrowings and long-term debt to \$2.6 billion with new limits revised to \$3.2 billion as a result of amalgamation.

Historically, Hydro addressed longer-term capital funding requirements by issuing government guaranteed long-term debt in the domestic capital markets. Since 2017, the Province has instead issued debt in the domestic capital markets, on Hydro's behalf, and in turn loans the funds to Hydro on a cost recovery basis. Any additional funding to address long-term capital funding requirements requires approval from the Province and the PUB.

**29. SUPPLEMENTARY CASH FLOW INFORMATION**

<i>For the year ended December 31 (millions of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Trade and other receivables	<b>(21)</b>	(4)
Inventories	<b>(3)</b>	(2)
Prepayments	<b>1</b>	-
Trade and other payables	<b>32</b>	1
<b>Changes in non-cash working capital balances</b>	<b>9</b>	(5)
Related to:		
Operating activities	<b>8</b>	(10)
Investing activities	<b>1</b>	10
Financing activities	<b>-</b>	(5)
	<b>9</b>	(5)

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

## 30. SEGMENT INFORMATION

Hydro operates in three business segments. The designation of segments is based on a combination of regulatory status and management accountability.

Hydro Regulated activities encompass sales of electricity to customers within the Province that are regulated by the PUB and for export markets. Hydro Non-Regulated activities include the sale of energy to mining operations in Labrador West and for export markets as well as Hydro's costs that are excluded from the determination of customer rates. Energy Marketing activities includes the sale of electricity and transmission to Hydro's affiliate, Energy Marketing.

	Hydro Regulated	Non-Regulated Activities	Energy Marketing	Total
<i>(millions of Canadian dollars)</i>				
<b>For the year ended December 31, 2024</b>				
Energy sales	740	58	4	802
Other revenue	285	-	19	304
<b>Revenue</b>	<b>1,025</b>	<b>58</b>	<b>23</b>	<b>1,106</b>
Fuels	169	-	-	169
Power purchased	1,083	86	4	1,173
Operating costs	150	-	-	150
Transmission rental	-	-	19	19
Depreciation and amortization	80	-	-	80
Net finance expense	110	-	-	110
Other expense	10	6	-	16
<b>Expenses</b>	<b>1,602</b>	<b>92</b>	<b>23</b>	<b>1,717</b>
<b>Loss for the year from operations</b>	<b>(577)</b>	<b>(34)</b>	<b>-</b>	<b>(611)</b>
Share of profit of joint arrangement	-	46	-	46
Preferred dividends	-	10	-	10
<b>(Loss) profit for the year before regulatory adjustments</b>	<b>(577)</b>	<b>22</b>	<b>-</b>	<b>(555)</b>
<b>Regulatory adjustments</b>	<b>(597)</b>	<b>-</b>	<b>-</b>	<b>(597)</b>
<b>Profit for the year</b>	<b>20</b>	<b>22</b>	<b>-</b>	<b>42</b>
Capital expenditures*	163	-	-	163
<b>Total assets</b>	<b>4,342</b>	<b>787</b>	<b>87</b>	<b>5,216</b>

\*Capital expenditures include non-cash additions of \$0.2 million contributed by Lower Churchill Management Corporation and \$2.0 million of interest capitalized during construction.

## NEWFOUNDLAND AND LABRADOR HYDRO

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

	Hydro Regulated	Non-Regulated Activities	Energy Marketing	Total
<i>(millions of Canadian dollars)</i>	For the year ended December 31, 2023			
Energy sales	740	52	5	797
Other revenue	388	-	19	407
Revenue	1,128	52	24	1,204
Fuels	187	-	-	187
Power purchased	926	47	5	978
Operating costs	148	4	-	152
Transmission rental	-	-	19	19
Depreciation and amortization	73	-	-	73
Net finance expense	94	1	-	95
Other expense	9	-	-	9
Expenses	1,437	52	24	1,513
Loss for the year from operations	(309)	-	-	(309)
Share of profit of joint arrangement	-	30	-	30
Preferred dividends	-	7	-	7
(Loss) profit for the year before regulatory adjustments	(309)	37	-	(272)
Regulatory adjustments	(342)	-	-	(342)
Profit for the year	33	37	-	70
Capital expenditures*	150	-	-	150
Total assets	3,659	752	72	4,483

\*Capital expenditures include non-cash additions of \$0.2 million contributed by Lower Churchill Management Corporation and \$1.9 million of interest capitalized during construction.

### 31. SUBSEQUENT EVENT

Effective January 1, 2025, Hydro and Nalcor were legislatively amalgamated into a new legal corporation that will continue under the name "Newfoundland and Labrador Hydro". The amalgamated corporation holds the combined assets and liabilities of the former Hydro and Nalcor entities and is bound by any previously existing contracts and agreements from the former entities. As well, the legislation confirms the continuation of any security or guarantees provided by the Provincial Government to Nalcor with Hydro.

# Newfoundland and Labrador Hydro<sup>1</sup>

## Directors

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**John Green**  
Chairperson  
Retired Lawyer, McInnes Cooper

---

**Bob Barnes**  
Retired NL Hydro Manager

---

**Brian Walsh**  
Retired FortisTCI Executive

---

**Chris Loomis**  
Retired Professor  
Memorial University of Newfoundland and Labrador

---

**David Oake**  
President, Invenio Consulting Inc.

---

**Debbie Molloy**  
Vice President, Human Resources Eastern Health

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**Donna Brewer**  
Retired Deputy Minister of Finance

---

**Edna Turpin**  
Corporate Director

---

**Geoff Goodyear**  
Retired Executive, Universal Helicopters NL LP

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**James Haynes**  
Retired Hydro Executive, NL Hydro

---

**Jennifer Williams**  
President and Chief Executive Officer, NL Hydro

---

**John Mallam**  
Retired Hydro Executive, NL Hydro

---

**Trina Troke**  
Director, Project Delivery, Cahill Group

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## Officers

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**Dana Pope**  
Vice President, Regulatory Affairs and Stakeholder  
Relations

---

**Gail Collins**  
Vice President, People and Corporate Affairs

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**Gerard Dunphy**  
Vice President, Churchill Falls and Muskrat Falls

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**Jennifer Williams**  
President and Chief Executive Officer

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**Lisa Hutchens**  
Vice President, Chief Financial Officer

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**Michael Ladha**  
Vice President, Chief Legal Officer and Corporate  
Secretary

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**Robert Collett**  
Vice President, Hydro Engineering and NLSO

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**Scott Crosbie**  
Vice President, Hydro Operations

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**Walter Parsons**  
Vice President, Transmission Interconnections and  
Business Development

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**Meredith Baker**  
Assistant Corporate Secretary

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<sup>1</sup> Newfoundland and Labrador Hydro ("Hydro") Board of Directors and Officers as at December 31, 2024.

**Newfoundland and Labrador Hydro**  
**Computation of Average Rate Base**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Capital Assets - Return 4 <sup>1</sup>	3,118,245	2,971,330
Work in Progress <sup>2</sup>	62,088	59,596
	3,180,333	3,030,926
Deduct:		
Accumulated Depreciation - Return 6 <sup>1,3,4</sup>	(773,107)	(713,347)
Contributions in Aid of Construction - Return 7 <sup>1,2,4</sup>	(66,689)	(49,857)
Total Capital Assets <sup>4</sup>	2,340,537	2,267,722
Deduct Items Excluded from Rate Base:		
Work in Progress <sup>2</sup>	(62,088)	(59,596)
Asset Retirement Obligations (Net of Amortization)	(10,385)	(11,237)
Net Capital Assets	2,268,064	2,196,889
Net Capital Assets, Previous Year	2,196,889	2,161,118
Unadjusted Average Capital Assets	2,232,477	2,179,004
Deduct:		
Average Net Capital Assets Excluded from Rate Base	(7,713)	(7,811)
<b>Average Net Capital Assets</b>	<b>2,224,764</b>	<b>2,171,192</b>
<b>Working Capital Allowance - Return 8</b>	<b>1,416</b>	<b>702</b>
<b>Fuel Inventory - Return 10</b>	<b>53,950</b>	<b>57,802</b>
<b>Supplies Inventory - Return 10</b>	<b>43,698</b>	<b>41,349</b>
<b>Average Deferred Charges for Rate Base - Return 11</b>	<b>55,215</b>	<b>58,306</b>
<b>Average Rate Base at Year End - Return 12</b>	<b>2,379,043</b>	<b>2,329,352</b>

<sup>1</sup> The 2023 amounts have been adjusted due to a presentation change relating to the Electric Vehicle Charger Elimination, which has now been presented in Return 4. There is no impact on rate base resulting from this change.

<sup>2</sup> Contributions of \$2.7 million (2023: \$16.3 million) related to Capital Assets not in service have been net in Work in Progress. In addition, insurance proceeds of \$1.0 million (2023: \$1.0 million) related to Capital Assets not in service have been net in Work in Progress.

<sup>3</sup> Accumulated Amortization is net of the Retirement Asset Pool and Removal Provision. Please refer to Return 6 for further details.

<sup>4</sup> As per Board Order P.U. 33(2023) electric vehicle chargers were excluded from Capital Assets and included in Regulatory Assets. The total is comprised of \$0.8 million (2023 - \$0.9 million) Capital Assets and \$(0.3) million (2023 - \$(0.3) million) Deferred Contributions.

**Newfoundland and Labrador Hydro**  
**Capital Assets - Original Cost**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>Balance</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b>
	<b>31-Dec-2023</b>	<b>During 2024</b>	<b>During 2024</b>	<b>During 2024</b>	<b>31-Dec-2024</b>
Power Generation					
Thermal	238,799	1,416	43,489	(11,029)	272,675
Hydroelectric	932,682	(555)	12,609	(1,610)	943,126
Diesel	124,332	224	9,113	(1,706)	131,963
Gas Turbine	195,168	(2,623)	16,299	(642)	208,202
	<u>1,490,981</u>	<u>(1,538)</u>	<u>81,510</u>	<u>(14,987)</u>	<u>1,555,966</u>
Substations	438,661	(344)	40,530	(853)	477,994
Transmission	560,919	121	16,887	(44)	577,883
Distribution	304,272	69	17,358	(911)	320,788
General Plant	95,411	(121)	9,884	(3,833)	101,341
Telecontrol	54,424	101	7,131	(4,333)	57,323
<b>Total Depreciable Plant</b>	<b><u>2,944,668</u></b>	<b><u>(1,712)</u></b>	<b><u>173,300</u></b>	<b><u>(24,961)</u></b>	<b><u>3,091,295</u></b>
Non-Depreciable Land	5,073	-	-	-	5,073
<b>Plant Investment</b>	<b><u>2,949,741</u></b>	<b><u>(1,712)</u></b>	<b><u>173,300</u></b>	<b><u>(24,961)</u></b>	<b><u>3,096,368</u></b>
Intangible	22,639	(141)	560	(131)	22,927
Electric Vehicle Charger Elimination <sup>1</sup>	(1,050)	-	-	-	(1,050)
<b>Total Capital Assets - Return 3<sup>1</sup></b>	<b><u>2,971,330</u></b>	<b><u>(1,853)</u></b>	<b><u>173,860</u></b>	<b><u>(25,092)</u></b>	<b><u>3,118,245</u></b>

<sup>1</sup> The prior year total Capital Assets presented in Return 4 was \$2,972,380. The difference is due to a presentation change relating to the Electric Vehicle Charger Elimination as it was eliminated on Return 3 in the prior period. There is no impact on rate base resulting from this change.

**Newfoundland and Labrador Hydro**  
**Capital Expenditures**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>Total Board Approved Expenditures 2024</b>	<b>Total Actual Expenditures 2024<sup>1</sup></b>	<b>Variance From 2024 Budget</b>
Access	5,015	6,591	(1,576)
General Plant	28,646	20,563	8,083
Mandatory	2,540	2,938	(398)
Renewal	79,057	108,105	(29,048)
Service Enhancement	10,594	9,226	1,367
System Growth	7,348	6,751	597
Allowance for Unforeseen	1,000	-	1,000
<b>Total Capital Budget</b>	<b>134,200</b>	<b>154,175</b>	<b>(19,975)</b>
2024 Capital Budget Approved by Board Order No. P.U. 2(2024)	96,452		
New Project Approved by Board Order No. P.U. 6(2023) & P.U. 26(2024) <sup>2</sup>	5,748		
New Project Approved by Board Order No. P.U. 12(2023)	2,812		
New Project Approved by Board Order No. P.U. 21(2023)	1,766		
New Project Approved by Board Order No. P.U. 28(2023)	1,299		
New Project Approved by Board Order No. P.U. 22(2024)	750		
New Project Approved by Board Order No. P.U. 25(2024)	50		
2024 New Projects under \$750,000 Approved by Hydro	3,443		
<b>Total Approved Capital Budget Before Carryovers<sup>1</sup></b>	<b>112,321</b>		
Multi-Year Cost Flow Reallocation 2023 to 2024 <sup>3</sup>	8,350		
Carryover Projects to 2023–2024	13,529		
<b>Total Approved Capital Budget</b>	<b>134,200</b>		
Deduct:			
Multi-Year Cost Flow Reallocation 2023 to 2024 - CIAC's <sup>3</sup>	(554)		
Supplemental CIACs	(3,727)		
<b>Net Capital Expenditures<sup>3</sup></b>	<b>129,919</b>		

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> In Board Order No. P.U. 26(2024), the Board approved a revised total budget which resulted in a reallocation from 2024 to 2025.

<sup>3</sup> The 2024 multi-year cost flow reallocation is \$7.8 million net of CIAC's of \$0.6 million (\$8.4 million - \$0.6 million = \$7.8 million).



**Newfoundland and Labrador Hydro**  
**Accumulated Depreciation**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>Property, Plant, and Equipment</b>	<b>Intangible</b>	<b>Total</b>
Balance, December 31, 2023 <sup>1</sup>	714,150	16,552	730,702
Add:			
Depreciation	78,609	1,544	80,153
Deduct:			
Retirements, Transfers, and Adjustments	(18,538)	(125)	(18,663)
Electric Vehicle Charger Elimination	(91)	-	(91)
Accumulated Depreciation Balance, December 31, 2024	774,130	17,971	792,101
<b>Retirement Asset Pool</b>			
Balance, December 31, 2023	(40,241)	95	(40,146)
Add:			
Net Loss on Retirement	(6,304)	-	(6,304)
Disposal Proceeds	543	-	543
	(46,002)	95	(45,907)
<b>Removal Provision</b>			
Balance, December 31, 2023	22,791	-	22,791
Add:			
Removal Depreciation	5,812	-	5,812
Deduct:			
Removal Costs	(1,690)	-	(1,690)
	26,913	-	26,913
<b>Total Accumulated Depreciation Balance, December 31, 2024</b>	<b>755,041</b>	<b>18,066</b>	<b>773,107</b>

**Depreciation Rates**

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Generation Plant	3 to 110 years
Transmission and distribution	10 to 75 years
Other Assets	3 to 70 years

<sup>1</sup> The prior year total Accumulated Depreciation was \$730.8 million. The difference is due to a presentation change relating to the Electric Vehicle Charger Elimination which was eliminated on Return 3 in the prior period.

**Newfoundland and Labrador Hydro**  
**Contributions in Aid of Construction**  
**Year Ended December 31, 2024**  
**(\$000)**

	Customers	Government/ Hydro Corporate <sup>1</sup>	Total
Gross Contributions to December 31, 2023 <sup>2</sup>	24,333	40,708	<b>65,041</b>
2024 Additions	19,143	54	<b>19,197</b>
2024 Disposals	(452)	-	<b>(452)</b>
Gross Contributions to December 31, 2024	43,024	40,762	<b>83,786</b>
 Deduct:			
Accumulated Amortization			<b>(17,157)</b>
Electric Vehicle Charger Amortization Elimination			<b>59</b>
 <b>Net Balance December 31, 2024 - Return 3<sup>3</sup></b>			<b>66,689</b>

<sup>1</sup> Government of Newfoundland and Labrador ("Government")/Newfoundland and Labrador Hydro ("Hydro") Corporate includes Hydro's other lines of business including, but not limited to, the Lower Churchill Group of Companies as well as Government Contributions in Aid of Construction.

<sup>2</sup> The prior year total was \$65.4 million. The difference is due to a presentation change relating to the Electric Vehicle Charger Elimination which was eliminated on Return 3 in the prior period.

<sup>3</sup> Contributions of \$2.7 million (2023: \$16.3 million) related to Capital Assets not in service have been net in Work in Progress. In addition, insurance proceeds of \$1.0 million (2023: \$1.0 million) related to Capital Assets not in service have been net in Work in Progress. Refer to Return 3 for further information.

**Newfoundland and Labrador Hydro**  
**Working Capital Allowance**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Operating Expenses for the Year - Return 9	145,210	142,759
Add:		
Power Purchases	59,370	61,643
<b>Total Operating Expenses for the Year</b>	<b>204,580</b>	<b>204,402</b>
Net Lag % <sup>1</sup>	2.55%	2.26%
Working Capital Allowance	5,217	4,619
Deduct:		
HST Adjustment	3,801	3,917
<b>Total Working Capital Allowance - Return 3</b>	<b>1,416</b>	<b>702</b>

<sup>1</sup> Net Lag % is calculated as Net Lag Days (Revenue Lag less Expense Lag) divided by 365 days. In 2024, Hydro's Revenue Lag was 36 days (2023: 36 days) and the Expense Lag was 27 days (2023: 28 days) resulting in a Net Lag of 9 days (2023: 8 days).

**Newfoundland and Labrador Hydro**  
**Statement of Operating Costs**  
**Year Ended December 31, 2024**  
**(\$000)**

	<u>2024</u>	<u>2023</u>
Salaries and Benefits	88,490	83,217
System Equipment Maintenance	24,623	30,060
Office Supplies and Expenses	2,214	2,225
Professional Services	11,411	10,043
Insurance	4,885	4,973
Equipment Rentals	2,668	2,546
Travel	2,355	2,836
Miscellaneous Expenses	5,005	5,131
Building Rental and Safety	1,290	1,053
Transportation	2,368	2,446
Customer (Recoveries) Costs	23	2,137
Cost (Recoveries) Charges	(122)	(3,908)
<b>Total Operating Costs - Return 8</b>	<b><u>145,210</u></b>	<b><u>142,759</u></b>

**Newfoundland and Labrador Hydro**  
**Significant Operating Expense Variance**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>	<b>Increase (Decrease)</b>
Salaries and Benefits	88,490	83,217	5,273 <sup>1</sup>
System Equipment Maintenance	24,623	30,060	(5,437) <sup>2</sup>
Professional Services	11,411	10,043	1,368 <sup>3</sup>
Customer Costs (Recoveries)	23	2,137	(2,114) <sup>4</sup>
Cost (Recoveries) Charges	(122)	(3,908)	3,786 <sup>5</sup>

<sup>1</sup> Variance primarily due to increased salary and benefit costs due to cost of living and other increases partially offset by higher capitalized labour.

<sup>2</sup> Variance is primarily due to normal fluctuations in operating projects year-over-year, as well as a reduction in contract labour costs associated with removal projects of \$3.1 million that have been offset in cost recoveries. Remaining variance attributed to variation in maintenance work plan for 2023 and 2024.

<sup>3</sup> Variance is primarily due to increased regulatory requirements and Board of Commissioners of Public Utilities related costs, variation in environmental work plan year-over-year and increased consulting support relating to changes in the maintenance plan.

<sup>4</sup> Variance is primarily due to higher bad debt expense associated with an allowance for doubtful accounts related to a General Service customer.

<sup>5</sup> Variance is primarily due to removal costs (offset in system equipment maintenance) which is transferred to the Removal Provision included in Regulated Liabilities on the balance sheet. The remaining variance can be attributed to variation in Intercompany Administrative Costs year-over-year.

**Newfoundland and Labrador Hydro**  
**Inventory**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>Fuel</b>		<b>Supplies</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Opening Balance	58,414	59,623	42,292	39,369
January	59,682	54,693	42,211	39,850
February	64,476	54,203	42,543	40,377
March	44,202	48,932	43,166	41,119
April	55,775	58,017	44,104	41,699
May	45,999	51,659	43,401	41,314
June	48,192	52,858	43,323	42,295
July	48,354	54,469	43,956	41,764
August	46,980	53,109	44,280	41,860
September	67,104	79,674	43,982	41,967
October	50,005	70,704	44,819	41,718
November	53,485	55,067	44,921	41,912
December	58,677	58,414	45,070	42,292
<b>13-Month Average - Return 3</b>	<b>53,950</b>	<b>57,802</b>	<b>43,698</b>	<b>41,349</b>

**Newfoundland and Labrador Hydro**  
**Deferred Charges**  
**Year Ended December 31, 2024**  
**(\$000)**

	<u>Board Order No.</u>	<u>2024</u>	<u>2023</u>
Foreign Exchange Losses	P.U. 7(2002–2003)	36,668	38,825
Foreign Exchange on Fuel	P.U. 30(2019)	1,053	(218)
Conservation Demand Management	P.U. 30(2019)	7,743	7,275
Conservation Demand Management - Labrador Interconnected	P.U. 33(2023)	48	54
Phase II Hearing Costs	P.U. 13(2016)	1,364	1,364
Asset Disposal	P.U. 13(2016)	235	254
Supply Deferral	P.U. 30(2019)	6,725	12,059
Deferred Power Purchases	P.U. 5(1996–1997)	(68)	(104)
2018 Revenue Deficiency	P.U. 30(2019)	(1)	(1)
2019 Revenue Deficiency	P.U. 30(2019)	77	77
Business Systems Transformation Program	P.U. 16(2019)	4,040	2,538
Business Systems Transformation Program (Approved for Recovery)	P.U. 27(2022)	6,687	6,687
Reliability and Resource Adequacy	P.U. 29(2019)	2,964	2,639
Hydraulic Resource Optimization	P.U. 49(2018)	(5,842)	(5,712)
Frequency Converter	P.U. 35(2020)	(1,160)	(931)
Power Purchase Expense Recognition	P.U. 9(2021) and P.U. 33(2021)	726,503	440,288
Muskrat Falls Export Revenue Recognition Deferral	P.U. 33(2021) and P.U. 4(2022)	73,765	13,279
Muskrat Falls Power Purchase Agreement Sustaining Capital	P.U. 33(2021) and P.U. 4(2022)	15,954	4,979
Holyrood Thermal Generating Station Accelerated Depreciation	P.U. 33(2021) and P.U. 4(2022)	(14,125)	(9,843)
Electrification Cost Deferral	P.U. 33(2023)	704	704
Deferred Charges		<u>863,334</u>	<u>514,213</u>
<b>Deduct Deferred Charges Excluded from Rate Base:</b>			
Phase II Hearing Costs <sup>1</sup>		(1,364)	(1,364)
Business Systems Transformation Board Order No. P.U. 27(2022) <sup>1</sup>		(4,040)	(2,538)
Muskrat Falls Power Purchase Agreement Sustaining Capital <sup>1</sup>		(15,954)	(4,979)
Reliability and Resource Adequacy <sup>1</sup>		(2,964)	(2,639)
Holyrood Thermal Generating Station Accelerated Depreciation <sup>1</sup>		14,125	9,843
Electrification Cost Deferral <sup>1</sup>		(704)	(704)
Power Purchase Expense Recognition <sup>2</sup>		(726,503)	(440,288)
Muskrat Falls Export Revenue Recognition Deferral <sup>3</sup>		(73,765)	(13,279)
		<u>(811,169)</u>	<u>(455,948)</u>
Deferred Charges, End of Current Year		52,165	58,265
Deferred Charges, End of Prior Year		58,265	58,347
<b>Average Deferred Charges for Rate Base - Return 3</b>		<u><u>55,215</u></u>	<u><u>58,306</u></u>

<sup>1</sup> Recovery of these expenditures is subject to approval by the Board of Commissioners of Public Utilities, and therefore, they have been excluded from rate base.

<sup>2</sup> This deferral represents timing differences in expense recognition and therefore is excluded from rate base, as per Board Order Nos. P.U. 9(2021) and P.U. 33(2021).

<sup>3</sup> This deferral represents a timing difference in revenue recognition and is therefore excluded from rate base, as per Board Order No. P.U. 33(2021).

**Newfoundland and Labrador Hydro**  
**Return on Rate Base**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Corporate Net Income - Return 1	41,844	70,280
Deduct:		
Unregulated Earnings <sup>1</sup>	(21,351)	(38,295)
Regulated Net Income	20,493	31,985
Add:		
Cost of Service Exclusions <sup>2</sup>	7,228	7,129
Regulated Net Interest - Return 16	80,365	77,802
Regulated Return	108,086	116,916
Average Rate Base at Year End - Return 3	2,379,043	2,329,352
<b>Rate of Return on Average Rate Base</b>	<b>4.54%</b>	<b>5.02%</b>
Lower End of Approved Range - 0.20	5.23%	5.23%
Higher End of Approved Range + 0.20	5.63%	5.63%

<sup>1</sup> Difference to Return 1 is due to rounding.

<sup>2</sup> The Cost of Service exclusions are comprised of the disallowed portion of the Debt Guarantee Fee of \$6.8 million (2023: \$6.7 million) and depreciation on assets excluded from rate base of \$0.4 million (2023: \$0.4 million).



**Newfoundland and Labrador Hydro**  
**Return on Regulated Average Retained Earnings**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Total Equity - Return 1 <sup>1</sup>	1,382,077	1,343,057
Deduct:		
Share Capital	22,504	22,504
Contributed Surplus	143,251	143,251
Accumulated Other Comprehensive Income	15,914	18,737
Ending Retained Earnings as per Balance Sheet	1,200,408	1,158,565
Deduct Non-Regulated Retained Earnings:		
Beginning Non-Regulated Retained Earnings	678,661	645,844
Non-Regulated Net Income for the Year <sup>1</sup>	21,351	38,295
Non-Regulated Dividends for the Year	-	(5,478)
Ending Non-Regulated Retained Earnings	700,012	678,661
Regulated Retained Earnings, End of Year <sup>1</sup>	500,396	479,904
Add:		
Regulated Contributed Surplus	100,000	100,000
Retained Earnings Cost of Service Exclusions	72,197	64,969
Total Regulated Equity, End of Year	672,593	644,873
Regulated Equity, Beginning of Year	644,873	605,760
<b>Regulated Average Equity</b>	<b>658,733</b>	<b>625,316</b>
<b>Regulated Earnings</b>		
Net Income - Return 1	41,844	70,280
Add:		
Compliance Adjustments	-	-
Deduct:		
Non-Regulated Net Income	21,351	38,295
Hydro Regulated Earnings	20,493	31,985
Cost of Service Exclusions	7,228	7,129
<b>Regulated Earnings</b>	<b>27,721</b>	<b>39,114</b>
<b>Rate of Return on Regulated Equity</b>	<b>4.21%</b>	<b>6.26%</b>

<sup>1</sup> Difference to Return 1 in prior year is due to rounding.

**Newfoundland and Labrador Hydro**  
**Capital Structure**  
**Year Ended December 31, 2024**  
**(\$000)**

	2024		2023		Average	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>Hydro</b>						
Debt - Return 15	2,387,184	63.3%	2,047,675	60.4%	2,217,430	61.9%
Equity - Return 13	1,382,077	36.7%	1,343,057	39.6%	1,362,567	38.1%
	<b>3,769,261</b>	<b>100.0%</b>	<b>3,390,732</b>	<b>100.0%</b>	<b>3,579,997</b>	<b>100.0%</b>
<b>Hydro Regulated</b>						
Debt - Return 15	2,387,004	75.2%	2,061,165	73.3%	2,224,085	74.3%
Funded Employee Future Benefits	94,773	3.0%	91,513	3.3%	93,143	3.1%
Funded Asset Retirement Obligation	18,141	0.6%	15,369	0.5%	16,755	0.6%
Equity - Return 13	672,593	21.2%	644,873	22.9%	658,733	22.0%
	<b>3,172,511</b>	<b>100.0%</b>	<b>2,812,920</b>	<b>100.0%</b>	<b>2,992,716</b>	<b>100.0%</b>

**Newfoundland and Labrador Hydro**  
**Cost of Debt**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>	<b>Average</b>
Long-Term Debt	2,008,430	2,023,540	2,015,985
Promissory Notes	590,000	230,000	410,000
Sinking Funds	(211,246)	(205,865)	(208,556)
<b>Total Debt - Return 14</b>	<b>2,387,184</b>	<b>2,047,675</b>	<b>2,217,430</b>
 Non-Regulated Debt Pool	 (180)	 13,490	 6,655
 <b>Total Regulated Debt - Return 14</b>	<b>2,387,004</b>	<b>2,061,165</b>	<b>2,224,085</b>
 <b>Current Year Interest Expense - Return 16</b>			 <b>105,732</b>
 <b>Cost of Debt</b>			<b>4.75%</b>

**Newfoundland and Labrador Hydro**  
**Interest Expense**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Gross Interest		
Long-Term Debt	97,725	97,725
Promissory Notes and Short Term	21,181	6,312
	118,906	104,037
Amortization of Debt Discount and Financing Expenses	1,454	1,394
Provision for Foreign Exchange	2,157	2,157
Interest Earned	(18,992)	(18,679)
Debt Guarantee Fee - Hydro <sup>1</sup>	8,940	8,794
Other	132	91
	112,597	97,794
Deduct:		
Cost of Service Exclusions <sup>1</sup>	(6,824)	(6,761)
Non-Regulated Interest	(41)	-
<b>Interest for Cost of Debt - Return 15</b>	<b>105,732</b>	<b>91,033</b>
Add:		
Interest Capitalized During Construction	(1,952)	(1,854)
Interest on Supply Cost Variance Deferral Account	(21,008)	(8,320)
Interest on Lower Churchill Project Sustaining Capital IDC <sup>2</sup>	(183)	(68)
Interest Charged on Rate Stabilization Plan	(2,224)	(2,990)
<b>Regulated Net Interest - Return 12</b>	<b>80,365</b>	<b>77,802</b>
Deduct:		
Provision for Foreign Exchange	(2,157)	(2,157)
Add:		
Cost of Service Exclusions <sup>1</sup>	6,824	6,761
Accretion of Asset Retirement Obligations	1,024	737
Regulated Interest (PUB Quarterly)	86,056	83,143
Deduct:		
Interest on Supply Cost Variance Deferral Account	21,008	8,320
Interest on Lower Churchill Project Sustaining Capital IDC <sup>2</sup>	183	68
Interest Charged on Rate Stabilization Plan	2,224	2,990
Add:		
Non-Regulated Interest	41	-
<b>Total Interest - Return 1</b>	<b>109,512</b>	<b>94,520</b>

<sup>1</sup> As per Board Order No. P.U. 49(2016), Newfoundland and Labrador Hydro has excluded the disallowed portion of the Debt Guarantee Fee.

<sup>2</sup> Interest during construction ("IDC").

**Newfoundland and Labrador Hydro**  
**Rate Stabilization Plan - Activity**  
**Year Ended December 31, 2024**  
**(\$000)**

	Utility						Industrial						
	Load Variation	Allocation Fuel Variation	Allocation Rural Rate Alteration	Financing Charges	Adjustment	Transfers <sup>1</sup>	Cumulative Net Balance	Load Variation	Allocation Fuel Variation	Financing Charges	Adjustment	Transfers <sup>1</sup>	Cumulative Net Balance
Opening Balance	-	-	-	-	-	-	30,571	-	-	-	-	-	1,913
January	-	-	-	135	(3,679)	-	27,027	-	-	8	(201)	-	1,721
February	-	-	-	119	(3,228)	-	23,919	-	-	8	(219)	-	1,509
March	-	-	-	106	(3,024)	11,589	32,589	-	-	7	(213)	-	1,303
April	-	-	-	144	(2,561)	-	30,172	-	-	6	(99)	-	1,209
May	-	-	-	133	(2,194)	-	28,111	-	-	5	(165)	-	1,050
June	-	-	-	124	(1,553)	-	26,682	-	-	5	(263)	-	792
July	-	-	-	118	(1,496)	-	25,304	-	-	3	(272)	-	524
August	-	-	-	112	(1,412)	-	24,004	-	-	2	(227)	-	299
September	-	-	-	106	(1,421)	-	22,689	-	-	1	(236)	-	64
October	-	-	-	100	(1,879)	-	20,910	-	-	0	(210)	-	(145)
November	-	-	-	92	(2,202)	-	18,800	-	-	(1)	(245)	-	(391)
December	-	-	-	83	(2,886)	-	15,997	-	-	(2)	(270)	-	(663)
<b>Total Year-to-Date</b>	-	-	-	<b>1,372</b>	<b>(27,536)</b>	<b>11,589</b>	<b>(14,574)</b>	-	-	<b>43</b>	<b>(2,620)</b>	-	<b>(2,576)</b>
Hydraulic Allocation	-	-	-	-	-	-	14,591	-	-	-	-	-	1,063
<b>Total</b>	-	-	-	-	-	-	<b>30,588</b>	-	-	-	-	-	<b>399</b>
							<b>To Return 18</b>						<b>To Return 18</b>

<sup>1</sup> Recovery of the Supply Deferral was approved in Board Order No. P.U.10(2024).

**Newfoundland and Labrador Hydro**  
**Rate Stabilization Plan - Balances**  
**Year Ended December 31, 2024**  
**(\$000)**

	Hydraulic			From Return 17			Cumulative Variation and Financing Charges	Cumulative Net Balance
	Net Hydraulic Production Variation	Financing Charges	Transfers	Utility Balance	Industrial Balance	Utility Balance		
Opening Balance				30,571	1,913		14,888	47,373
January	-	66	-	27,027	1,721		14,954	43,702
February	-	66	-	23,919	1,509		15,020	40,448
March	-	66	-	32,589	1,303		15,086	48,978
April	-	67	-	30,172	1,209		15,153	46,535
May	-	67	-	28,111	1,050		15,220	44,381
June	-	67	-	26,682	792		15,287	42,762
July	-	68	-	25,304	524		15,355	41,182
August	-	68	-	24,004	299		15,423	39,725
September	-	68	-	22,689	64		15,491	38,244
October	-	68	-	20,910	(145)		15,559	36,324
November	-	69	-	18,800	(391)		15,628	34,037
December	-	69	-	15,997	(663)		15,697	31,031
<b>Total Year-to-Date</b>	-	<b>808</b>	-	<b>(14,574)</b>	<b>(2,576)</b>		<b>808</b>	<b>(16,343)</b>
Hydraulic Allocation	(14,888)	(808)	-	14,591	1,063		(15,697)	(43)
<b>Total<sup>1</sup></b>	<b>(14,888)</b>	-	-	<b>30,588</b>	<b>399</b>		-	<b>30,987</b>

<sup>1</sup> Numbers may not add due to rounding.

**Newfoundland and Labrador Hydro**  
**Assessable Revenue**  
**Year Ended December 31, 2024**  
**(\$000)**

	<b>2024</b>	<b>2023</b>
Electricity Sales	714,220	732,457
Rate Stabilization <sup>1</sup>	30,156	16,548
Conservation and Demand Management Rider	922	1,582
Supply Cost Variance Deferral Rate Rider	56,379	46,749
Energy Sales - Return 1	801,677	797,336
Other Revenue <sup>2,3</sup>	304,251	407,069
<b>Total Revenue - Return 1</b>	<b>1,105,928</b>	<b>1,204,405</b>
 Deduct/(Add) Regulated Hydro Revenue that is Not Assessable:		
Input Tax Credits	146	148
Contributions in Aid of Construction	1,228	981
Rural Rate Alteration	9,727	6,412
Corner Brook Pulp and Paper Frequency Converter	229	229
Ponding Revenue	166	-
Export Revenue	33,226	36,316
Greenhouse Gas Credits	20,106	23,082
Transmission Tariff Revenue	17,978	16,668
Rate Mitigation	240,329	335,104
Electrification Cost Deferral	26	26
 Deduct Non-Regulated Revenue:		
Legacy Recapture	4,440	5,293
Incremental Recapture	2,915	1,216
Iron Ore Company of Canada	45,044	41,050
Tacora/Wabush Mines	9,072	9,410
Other Revenue	18,855	18,855
	403,487	494,791
 <b>Assessable Revenue</b>	<b>702,441</b>	<b>709,614</b>

<sup>1</sup> 2023 Revenue adjusted for items included in the Isolated Systems Supply Cost Variance Deferral.

<sup>2</sup> As per Order in Council OC2024-062 dated May 7, 2024, Newfoundland and Labrador Hydro ("Hydro") has been directed by the Government of Newfoundland and Labrador ("Government") to retire the 2023 Supply Cost Variance Deferral Account balance of \$271.3 million over the 2024 to 2026 period using its own sources of funding. In June 2024, the Government provided further direction for Nalcor Energy ("Nalcor") to transfer \$90.0 million of rate mitigation funding to Hydro, for the purpose of offsetting a portion of the 2023 Supply Cost Variance Deferral Account balance.

<sup>3</sup> In 2022, as part of the Government's rate mitigation plan, Hydro, the Government and the Government of Canada signed term sheets enabling access, upon commissioning of the Labrador-Island Link ("LIL"), to a \$1.0 billion investment by the Government of Canada in the LIL in the form of a convertible debenture. In August 2024, funding was received by LIL (2021) Limited Partnership, and transferred \$150.3 million to Hydro for the purpose of rate mitigation, reducing the balance in the Supply Cost Variance Deferral Account.

**Newfoundland and Labrador Hydro**  
**2024 Annual Report on the Rural Deficit<sup>1</sup>**

2024 <sup>2</sup>				
Rural Deficit Areas	Revenues (\$)	Cost of Service before Deficit and Revenue Allocation (\$)	Revenue Credits (\$)	Deficit <sup>3</sup> (\$)
Island Interconnected	58,233,382	103,173,912	-	(44,940,529)
Island Isolated	1,457,644	11,384,941	-	(9,927,297)
Labrador Isolated	9,127,840	41,844,381	-	(32,716,541)
L'Anse-au-Loup	3,586,800	8,960,032	-	(5,373,232)
<b>Total</b>	<b>72,405,666</b>	<b>165,363,265</b>	<b>-</b>	<b>(92,957,599)</b>

2024					
Rural Deficit Areas	Number of Communities <sup>4</sup>	Number of Customers	Cost per kWh (\$)	Deficit per Customer (\$)	Cost Recovery Ratio
Island Interconnected	147	23,316	0.26	(1,927)	0.56
Island Isolated	6	643	1.99	(15,439)	0.13
Labrador Isolated	15	2,792	1.03	(11,718)	0.22
L'Anse-au-Loup	8	1,076	0.38	(4,994)	0.40
<b>Total</b>	<b>176</b>	<b>27,827</b>	<b>0.35</b>	<b>(3,341)</b>	<b>0.44</b>

<sup>1</sup> Newfoundland and Labrador Hydro ("Hydro") has not provided forecast deficit figures for 2025-2029 since there is currently no methodology approved for the allocation of rate mitigation. Forecast numbers will be provided after Hydro's next general rate application which will include a Cost of Service incorporating Muskrat Falls Project Costs and rate mitigation.

<sup>2</sup> The 2024 Rural Deficit calculation is based on proforma Cost of Service Studies.

<sup>3</sup> In June 2024, the Government provided direction to Hydro to transfer \$90 million of rate mitigation funding for the purpose of offsetting a portion of the 2023 Supply Cost Variance Deferral Account balance. In August 2024, \$150.3 million was received by the LIL (2021) Limited Partnership as a result of the second drawing of the \$1 billion investment by the Government of Canada and transferred to Hydro for the purpose of rate mitigation. As there is currently no methodology approved for allocation amongst customer classes, the Rural Deficit amounts provided have not yet been updated to reflect this reduction.

<sup>4</sup> Hydro's definition of Community corresponds to the "Town Code" in its customer information system. Some smaller communities may be combined if they share a single postal code.



Newfoundland and Labrador Hydro  
Supply Cost Variance Deferral Account - Activity  
Year Ended December 31, 2024  
(\$000)

	Project Cost Recovery Rider				Load Variation				Financing Charges <sup>1</sup>				Cumulative Net Balance (\$)				
	Muskat Falls Project Cost Variance (\$)	Rate Mitigation Fund <sup>3</sup> (\$)	Utility <sup>4</sup> (\$)	Industrial <sup>5</sup> (\$)	Holyrood TGS <sup>6</sup> Fuel Cost Variance <sup>7</sup> (\$)	Other IIS <sup>8</sup> Supply Cost Variance <sup>7</sup> (\$)	Net Revenue From Exports Variance (\$)	Transmission Tariff Revenue Variance (\$)	Utility (\$)	Industrial (\$)	Greenhouse Gas Credit Revenue Variance (\$)	Subtotal Monthly Variances (\$)		Utility (\$)	Industrial (\$)	Other <sup>9</sup> (\$)	Transfers (\$)
Opening Balance	855,037	(335,104)	(65,691)	-	(114,193)	(48,568)	(48,571)	(26,781)	53,096	36,416	(35,494)	270,146	(2,475)	-	16,045	-	283,716
January	60,516	-	(5,920)	(303)	(22,011)	264	(446)	(1,498)	(4,794)	1,280	(18)	27,070	(269)	-	1,432	-	311,949
February	60,093	-	(5,193)	(330)	(20,918)	(3,525)	(407)	(1,498)	(410)	926	(29)	28,708	(293)	(1)	1,573	-	341,935
March <sup>10</sup>	61,109	-	(4,866)	(322)	864	(7,862)	(558)	(1,498)	6,585	1,700	(254)	54,397	(315)	(3)	1,719	-	397,734
April	60,246	-	(4,120)	(149)	2,406	(1,238)	(431)	(1,498)	2,067	1,979	1	59,264	(335)	(4)	1,969	-	458,627
May	59,781	-	(3,530)	(249)	2,252	(1,652)	(350)	(1,498)	(3,754)	1,550	(2)	52,550	(352)	(5)	2,236	-	513,056
June	49,022	(90,000)	(2,499)	(396)	(2,883)	(980)	(181)	(1,498)	5,829	723	11	(42,853)	(376)	(6)	2,474	-	472,306
July	61,558	-	(2,408)	(410)	120	(746)	(131)	(1,498)	1,125	721	(36)	58,296	(376)	(7)	2,319	-	532,538
August	57,372	(150,329)	(3,442)	(342)	(211)	2,100	(140)	(1,498)	(1,045)	1,065	1	(96,471)	(386)	(9)	2,577	-	438,250
September <sup>11</sup>	61,247	-	(3,464)	(356)	(5,434)	(1,621)	(249)	(1,499)	1,149	926	(19,782)	30,917	(400)	(10)	2,206	-	470,962
October	61,648	-	(4,581)	(317)	2,298	(2,844)	(185)	(1,498)	1,109	1,210	1	56,842	(414)	(12)	2,356	-	529,734
November	57,570	-	(5,369)	(369)	(4,603)	(2,919)	(205)	(1,498)	3,233	846	(0)	46,685	(433)	(13)	2,617	-	578,590
December <sup>12</sup>	60,469	-	(7,037)	(408)	(7,147)	(4,577)	(74,121)	(1,499)	6,905	793	-	(26,623)	(455)	(15)	2,841	-	554,338
<b>Year-to-Date</b>	<b>710,630</b>	<b>(240,329)</b>	<b>(52,429)</b>	<b>(3,950)</b>	<b>(55,267)</b>	<b>(25,600)</b>	<b>(77,404)</b>	<b>(17,978)</b>	<b>17,998</b>	<b>13,217</b>	<b>(20,106)</b>	<b>248,782</b>	<b>(4,395)</b>	<b>(83)</b>	<b>26,319</b>	<b>-</b>	<b>270,622</b>
<b>Total</b>	<b>1,565,667</b>	<b>(575,433)</b>	<b>(118,120)</b>	<b>(3,950)</b>	<b>(169,460)</b>	<b>(74,168)</b>	<b>(125,975)</b>	<b>(44,759)</b>	<b>71,094</b>	<b>49,633</b>	<b>(55,600)</b>	<b>518,928</b>	<b>(6,870)</b>	<b>(83)</b>	<b>42,364</b>	<b>-</b>	<b>554,338</b>

<sup>1</sup> Financing charges accrued at the 2023 short-term cost of borrowing of 5.72% for the period of January to November 2024. In December, financing costs were true-up to reflect the actual short-term cost of borrowing for 2024 of 5.03%.  
<sup>2</sup> As per Order in Council DC2024-062 dated May 7, 2024, Hydro has been directed by the Government of Newfoundland and Labrador ("Government") to retire the 2023 Supply Cost Variance Deferral Account balance of \$271.3 million over the 2024 to 2026 period using its own sources of funding. In June 2024, the Government provided further direction for Nalcor Energy ("Nalcor") to transfer \$90.0 million of rate mitigation funding to Hydro, for the purpose of offsetting a portion of the 2023 Supply Cost Variance Deferral Account balance.  
<sup>3</sup> In 2022, as part of the Government's rate mitigation plan, Hydro, the Government and the Government of Canada signed term sheets enabling access, upon commissioning of the Labrador-Island Link ("LIL"), to a \$1.0 billion investment by the Government of Canada in the LIL in the form of a convertible debenture. In August 2024, funding was received by LIL (2021) Limited Partnership, and transferred to Hydro for the purpose of rate mitigation, reducing the balance in the Supply Cost Variance Deferral Account.  
<sup>4</sup> As per Order No. P.U. 15(2024), the Board approved a Project Cost Recovery Rider effective August 1, 2024 of 1.124 cents per kWh.  
<sup>5</sup> As per Order No. P.U. 4(2024), the Board approved a Project Cost Recovery Rider of 0.888 cents per kWh that became effective as of January 1, 2024.  
<sup>6</sup> Holyrood Thermal Generating Station ("Holyrood TGS").  
<sup>7</sup> In 2023, Nalcor commenced delivery of the Nova Scotia Block that, combined with limited LIL capacity, meant Hydro could not be delivered as much energy from the Muskrat Falls Hydroelectric Generating Facility as it would otherwise. Nalcor committed to indemnify Hydro for any damages suffered as a result of this reduction in deliveries including compensating Hydro for incremental costs of fuel and/or imports over the Mar time link. The 2024 balances reflect adjustments to the calculation to eliminate incremental costs incurred by Hydro as a result of reduced deliveries. The balances in this report reflect the true-up of initial estimates made throughout the period. The indemnity Agreement with Nalcor terminated upon commissioning of the LIL, and all surviving obligations were fulfilled on November 30, 2024. All balances reported as at December 31, 2024, reflect final actual incremental cost eliminations.  
<sup>8</sup> Island inter-connected System ("IIS").  
<sup>9</sup> Any adjustments to any component in the Supply Cost Variance Deferral Account that results in a change to the Subtotal Monthly Variances will result in a corresponding adjustment to financing charges.  
<sup>10</sup> In March, the actual settlement value for net export sales for 2023 was finalized. The settlement did not change the revenue that was accrued in December 2023, therefore no true-up was required.  
<sup>11</sup> In September 2024, Hydro sold 330,494 Greenhouse Gas Performance Credits within the province for \$19.8 million.  
<sup>12</sup> In December, the account included an estimate of net export sales that occurred during 2024 but the actual settlement value will not be finalized until the first quarter of 2025.

To Return 22

**Newfoundland and Labrador Hydro**  
**Supply Cost Variance Deferral Account - Balances**  
**Year Ended December 31, 2024**  
**(\$000)**

From Return 21

	<b>Supply Cost Variance Deferral Account Balance</b>	<b>Utility Balance<sup>1</sup></b>	<b>Industrial Balance</b>	<b>Total to Date</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening Balance	283,716	(12,444)	-	271,272
January	311,949	(13,618)	-	298,330
February	341,935	(14,564)	-	327,371
March	397,734	(15,390)	-	382,344
April	458,627	(16,132)	-	442,495
May	513,056	(16,970)	-	496,086
June	472,306	(17,461)	-	454,845
July	532,538	(17,795)	-	514,742
August	438,250	(18,462)	-	419,787
September	470,962	(19,072)	-	451,890
October	529,734	(19,992)	-	509,742
November	578,590	(21,102)	-	557,488
December	554,338	(22,624)	-	531,714

<sup>1</sup> Financing charges accrued at the 2023 short-term cost of borrowing of 5.72% for the period of January to November 2024. In December, financing costs was trued-up to reflect the actual short-term cost of borrowing for 2024 of 5.03%.

# 2024 Report on the Rural Deficit

## Summary of Specific Initiatives

April 1, 2025

A report to the Board of Commissioners of Public Utilities



# Contents

- 1.0 Introduction ..... 1
- 2.0 Rural Deficit Overview ..... 1
- 3.0 Operating Initiatives..... 4
  - 3.1 Internal Energy Efficiency Initiatives..... 4
  - 3.2 Conservation and Demand Management Program Initiatives ..... 4
  - 3.3 Hydro-Québec Power Purchase Contract Renewal ..... 5
  - 3.4 Cost Effective Renewables ..... 5
    - 3.4.1 Mary’s Harbour Mini Hydro Facility ..... 6
    - 3.4.2 Net Metering..... 6
    - 3.4.3 Solar Photovoltaic ..... 6
  - 3.5 Other Cost Management Initiatives..... 6
- 4.0 Capital Initiatives..... 7
  - 4.1 Replace Metering System ..... 7
  - 4.2 Diesel Asset Management Strategy ..... 7
  - 4.3 Diesel Unit Sizes ..... 8
  - 4.4 LED Street Lights ..... 8
  - 4.5 Diesel Generating Station Communication Upgrades ..... 9
- 5.0 Conclusion..... 9

## 1.0 Introduction

Newfoundland and Labrador Hydro (“Hydro”) provides electrical service to approximately 27,800 customers on the Hydro Rural Interconnected System and Hydro Rural Diesel Systems. As a result of policy set out by the Government of Newfoundland and Labrador (“Government”), these customers are charged electricity rates which do not recover the full cost of providing service, resulting in an operating loss (commonly referred to as the “Rural Deficit”). Additionally, Hydro serves approximately 11,600 rural customers on the Labrador Interconnected System, whose rates recover the cost to serve as well as a contribution to funding a portion of the Rural Deficit. Approximately 96%<sup>1</sup> of the Rural Deficit funding is provided through the Utility Rate charged to Newfoundland Power Inc. (“Newfoundland Power”). This report provides an overview of the Rural Deficit, as well as the direct operating and capital initiatives undertaken by Hydro to manage costs associated with serving customers in rural areas, thereby mitigating the Rural Deficit.

## 2.0 Rural Deficit Overview

Table 1 provides the estimated annual Rural Deficit for 2020–2024, as well as year-over-year variances. The Rural Deficit for 2024 was calculated using actual revenues and expenses allocated to Hydro’s Rural Deficit areas based on the 2019 Test Year Cost of Service Study allocations.

**Table 1: Hydro Rural Deficit (\$ Millions)<sup>2</sup>**

	Annual Amounts					Year-Over-Year			
	2020	2021	2022	2023	2024	2021/20	2022/21	2023/24	2024/23
Revenues (A)	68.3	67.4	69.3	69.6	72.4	(0.9)	1.9	0.3	2.8
Costs <sup>3</sup>									
Operating Expenses	44.0	40.8	41.0	42.0	43.4	(3.2)	0.2	1.0	1.4
Fuel	21.8	19.5	34.1	38.3	32.0	(2.3)	14.6	4.2	(6.3)
Purchased Power	7.8	10.1	22.4	43.5	48.2	2.3	12.3	21.1	4.7
Depreciation	18.7	19.6	18.9	19.7	20.3	0.9	(0.7)	0.8	0.6
Return	25.1	25.1	24.9	23.2	21.4	-	(0.2)	(1.7)	(1.8)
<b>Total Costs (B)</b>	<b>117.4</b>	<b>115.1</b>	<b>141.3</b>	<b>166.7</b>	<b>165.3</b>	<b>(2.3)</b>	<b>26.2</b>	<b>25.4</b>	<b>(1.4)</b>
<b>Rural Deficit (B-A)</b>	<b>49.1</b>	<b>47.7</b>	<b>72.0</b>	<b>97.1</b>	<b>92.9</b>	<b>(1.4)</b>	<b>24.3</b>	<b>25.1</b>	<b>(4.2)</b>

<sup>1</sup> In accordance with the 2019 Test Year Cost of Service Study, allocation is 96.1% for Newfoundland Power and 3.9% for customers on the Hydro Rural Labrador Interconnected System.

<sup>2</sup> 2020 through 2023 reflect actuals. 2024 Rural Deficit is unaudited.

<sup>3</sup> Table 1 does not include the costs incurred for Electrification, Conservation and Demand Management (“ECDM”) programs offered in rural communities as they are captured in Hydro’s ECDM Cost Deferral Account, approved in the Board of Commissioners of Public Utilities (“Board”) Order Nos. P.U. 49(2016), P.U. 22(2017), and P.U. 37(2022).

1 The \$92.9 million Rural Deficit in 2024 represents a decrease of approximately \$4.2 million, or 4.3%,  
2 from 2023. The primary drivers of the change were as follows:

- 3 • Revenues increased by approximately \$2.8 million or 4%, primarily due to July 1, 2023 and  
4 August 1, 2024 rate increases<sup>4</sup> for Island Interconnected, L'anse-au-Loup and Isolated Rural  
5 Customers;
- 6 • Power purchased costs increased by \$4.7 million or 10.8%, primarily as a result of payments  
7 under the Transmission Funding Agreement<sup>5</sup> which commenced on April 14, 2023 and are  
8 therefore included for a full year in 2024; and
- 9 • Fuel costs decreased by approximately \$6.3 million or 16.4% mainly as a result of an average 2.0  
10 cent per kWh decrease in the price of No. 6 fuel<sup>6</sup> and a decrease of 0.6 cents per kWh in the  
11 price of diesel fuel used to serve isolated customers in 2024 relative to 2023.<sup>7</sup>

12 One of the main drivers of the increase in the Rural Deficit since 2022 is the increase in Muskrat Falls  
13 Project costs reflected in power purchases. This additional purchased power expense is reflected in the  
14 balance of the Supply Cost Variance Deferral Account ("SCVDA"). Since 2023, \$575.4 million has been  
15 provided for rate mitigation to offset this increase in cost:

- 16 • In 2023, \$335.1 million in rate mitigation funding was received. In March, the Government paid  
17 the remaining 2022 balance in the SCVDA of approximately \$190.4 million<sup>8</sup> and in August,  
18 \$144.7 million was received by the Labrador Island Link ("LIL") (2021) Limited Partnership as a  
19 result of the first drawing of the \$1.0 billion investment by the Government of Canada and  
20 transferred to Hydro for the purpose of rate mitigation.<sup>9</sup>

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<sup>4</sup> Rate increases were approved for July 1, 2023 in order P.U 18(2023) and for August 1, 2024 in order P.U 19(2024). The average increase was 6.9% in 2023 and 7.0% in 2024.

<sup>5</sup> A portion of the Muskrat Falls Project supply costs less export and tariff revenues are allocated to the rural customers on the Island Interconnected System. The costs included do not reflect the rate mitigation funding provided to offset the balance of the Supply Cost Variance Deferral Account.

<sup>6</sup> A portion of Holyrood No. 6 fuel costs are allocated to rural customers on the Island Interconnected System.

<sup>7</sup> Changes in the price of diesel directly impact the purchase price that Hydro pays to serve customers on the L'Anse-au-Loup System, and for wind generation purchases supplying Ramea.

<sup>8</sup> "Implementing Initial Steps of Rate Mitigation," Government of Newfoundland and Labrador, Industry, Energy and Technology, March 31, 2023, <<https://www.gov.nl.ca/releases/2023/iet/0331n03/%3e/>>.

<sup>9</sup> In 2022, as part of the Government's rate mitigation plan, Hydro, the Government, and the Government of Canada signed term sheets enabling access, upon commissioning of the LIL, to a \$1.0 billion investment in the LIL by the Government of Canada in the form of a convertible debenture.

- In 2024, \$240.3 million in funding was received for rate mitigation. In June, the Government provided direction to Hydro to transfer \$90 million<sup>10</sup> of rate mitigation funding for the purpose of offsetting a portion of the 2023 SCVDA balance. In August, funding was received by the LIL (2021) Limited Partnership as a result of the second drawing of the \$1.0 billion investment by the Government of Canada and \$150.3 million was transferred to Hydro for the purpose of rate mitigation.

As there is currently no methodology approved for allocation of rate mitigation funding amongst customer classes, the annual Rural Deficit amounts provided in this report have not yet been updated to reflect these reductions. Hydro anticipates applying for the proposed allocation during its next general rate application.

Chart 1 shows the annual Rural Deficit including and excluding the fuel costs, Muskrat Falls Project power purchases, exports, and tariff revenue.<sup>11</sup> With the commencement of Hydro’s payments under the Muskrat Falls Power Purchase Agreement (“Muskrat Falls PPA”) in November 2021<sup>12</sup> and the Transmission Funding Agreement (“TFA”) in April 2023,<sup>13</sup> the total Rural Deficit is impacted by the Muskrat Falls Project supply costs and does not reflect the rate mitigation funding provided to offset the balance of the SCVDA.

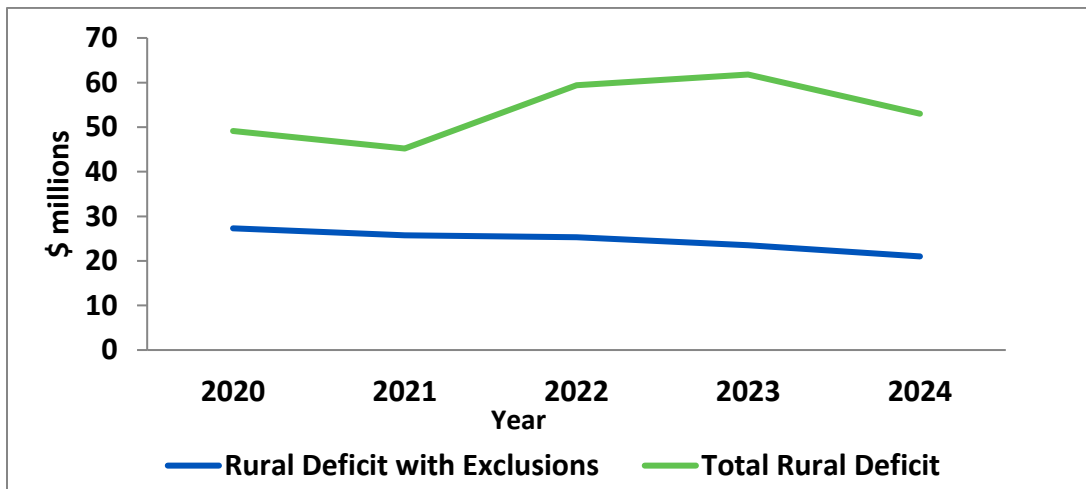


Chart 1: Five-Year Rural Deficit<sup>14</sup>

<sup>10</sup> As per Order in Council OC2024-062 dated May 7, 2024, Hydro has been directed by the Government to retire the 2023 SCVDA balance of \$271.3 million over the 2024 to 2026 period using its own sources of funding.

<sup>11</sup> *Supra*, f.n. 5.

<sup>12</sup> “Muskrat Falls Project Asset Update,” Newfoundland and Labrador Hydro, November 29, 2021.

<sup>13</sup> “Reliability and Resource Adequacy Study Review – Labrador-Island Link Update,” Newfoundland and Labrador Hydro, April 18, 2023.

<sup>14</sup> Exclusions include fuel costs, Muskrat Falls Project power purchase costs, exports, and tariff revenue.

1 Chart 1 demonstrates that, excluding the cost of fuel and the Muskrat Falls Project power purchase  
2 costs, Hydro's costs associated with the Rural Deficit are typically stable.

### 3 **3.0 Operating Initiatives**

#### 4 **3.1 Internal Energy Efficiency Initiatives**

5 Hydro continued its internal energy efficiency efforts in 2024 with programs that aim to achieve  
6 reductions in energy usage in all facilities within the areas contributing to the Rural Deficit, including  
7 diesel generating stations, offices, and line depots. Initiatives for 2024 included a LED<sup>15</sup> lighting upgrade  
8 for the Hardwoods Terminal Station that yielded 24 MWh of annual energy savings. Since it began in  
9 2008, the program has provided cumulative annual energy savings of 17,987 MWh.

10 In 2024, Hydro continued the following initiatives to support its management of the Rural Deficit:<sup>16</sup>

- 11 • Conservation and Demand Management Programs specifically designed and targeted for  
12 isolated communities;
- 13 • Capturing waste heat in several of Hydro's diesel generating stations to heat Hydro premises;
- 14 • Planning the sizes of replacement units at Hydro's diesel generating stations to optimize fuel  
15 efficiency;
- 16 • Monitoring diesel system fuel efficiency to identify poor performers so that corrective action  
17 may be taken; and
- 18 • Choosing the most fuel-efficient combination of engines, where possible,<sup>17</sup> to supply community  
19 loads.

#### 20 **3.2 Conservation and Demand Management Program Initiatives**

21 The high cost of generation in isolated diesel communities and the increased system load in the L'Anse-  
22 au-Loup area continues to support the need for effective delivery of energy-efficiency programs in these  
23 areas. In 2012, two programs were launched to offer energy-efficiency incentives for residential and  
24 commercial customers located in Hydro's isolated diesel communities. These programs continued  
25 through 2024 and are further detailed in the sections that follow:

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<sup>15</sup> Light-emitting diode ("LED").

<sup>16</sup> Savings achieved through this initiative are primarily through avoided costs or productivity improvements; therefore, Hydro is not able to quantify the exact impact on the Rural Deficit.

<sup>17</sup> Completed automatically in some diesel generating stations.



- 1 • The Isolated Communities Energy Efficiency Program (“ICEEP”) is a program specifically targeted  
2 at residential and commercial customers in Hydro’s Isolated Diesel Systems. In 2024, residential  
3 ICEEP offerings included direct install, smart and programmable thermostat installations, shifted  
4 energy smart water heater installations, heat pump installations, and offering the federal  
5 government’s Greener Homes Grant Program. Commercial offerings for ICEEP included lighting  
6 upgrades, energy audits, and piloting cost-shared commercial building upgrades. From 2012 to  
7 2024, the program installed over 175,000 energy-efficient products in 875 business visits and  
8 over 8,683 home visits, and achieved over 13 GWh in energy savings (719 MWh<sup>18</sup> in 2024).
- 9 • The Isolated Systems Business Efficiency Program is a program that provides rebates and  
10 technical assistance for commercial customers in isolated diesel communities in Newfoundland  
11 and Labrador. In 2024, no energy efficiency projects were completed; however, Hydro remains  
12 engaged with commercial customers to assist with future projects, should customers want to  
13 pursue them. Since 2012, it has achieved 947 MWh of annual energy savings.

14 These programs continued throughout 2024 and will be further detailed in the 2024 ECDM Report.<sup>19</sup>

### 15 **3.3 Hydro-Québec Power Purchase Contract Renewal**

16 On September 1, 2021, Hydro executed a Power Purchase Agreement with Hydro-Québec for the  
17 L’Anse-au-Loup System. This agreement enables Hydro to continue to purchase surplus hydroelectric  
18 energy from Hydro-Québec’s Lac-Robertson Generating Station to supply Hydro’s customers in the  
19 L’Anse-au-Loup area. The terms and conditions of the new agreement are similar to the original and will  
20 continue to enable Hydro to supply the majority of customer load in L’Anse-au-Loup with deliveries from  
21 Hydro-Québec at approximately 50% of the cost of diesel generation. The approximate savings in 2024  
22 were \$4.2 million.<sup>20</sup>

### 23 **3.4 Cost Effective Renewables**

24 Hydro is actively engaged with Indigenous groups and stakeholders, with a particular focus on  
25 communities served primarily by diesel powered generation, to foster development of cost-effective  
26 renewables. The standard model for such developments involves a third party developing and operating

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<sup>18</sup> These savings may be updated if further audit of 2024 indicates adjustments are required.

<sup>19</sup> Hydro’s ECDM Report for the Year Ended December 31, 2024 will be filed with the Board on or before April 10, 2025.

<sup>20</sup> Compared to supplying the service area with diesel generators.

1 the renewables, with Hydro purchasing the output at a cost below that which would be incurred to  
2 generate equivalent energy in Hydro's diesel generating stations.

### 3 **3.4.1 Mary's Harbour Mini Hydro Facility**

4 The Mary's Harbour Mini Hydro Facility began operations in September 2019. The project, owned and  
5 led by St. Mary's River Energy LP in collaboration with Hydro, combines hydro, solar, and lithium-ion  
6 battery storage to reduce the community's diesel fuel use. The photovoltaic and battery energy storage  
7 facility began operations in November 2021. Together they generated approximately 965 MWh in 2024,  
8 displacing diesel fuel generation.

### 9 **3.4.2 Net Metering**

10 Net metering initiatives are undertaken by customers, not by Hydro directly; however, there is an  
11 impact on Hydro's system as a result of net metering activity. Hydro currently has one net metering  
12 customer in an isolated diesel community under Hydro's net metering service option.<sup>21</sup> In 2024, this  
13 customer's net metering resulted in the displacement of approximately 40 MWh of diesel generation.

### 14 **3.4.3 Solar Photovoltaic**

15 In addition to the four solar photovoltaic projects that were put into service in Hopedale, Rigolet, Nain,  
16 and Postville during 2022, two new projects were put into service in St. Lewis, and one new project in  
17 Black Tickle in 2023. In 2024 one new solar photovoltaic project was put into service in Port Hope  
18 Simpson. There are currently eight projects in service which resulted in the displacement of  
19 approximately 117 MWh of diesel generation in 2024. Hydro continues to work with renewable energy  
20 developers to enable further renewable energy integration and anticipates additional projects to be  
21 developed in the coming year.

22 The combined impact of all cost effective renewables and the Hydro Quebec power purchase contract to  
23 serve the L'Anse-au-Loup System is a gross isolated generation mix that was one third renewable in  
24 2024.

## 25 **3.5 Other Cost Management Initiatives**

26 During 2024, Hydro continued to manage its operating costs in an effort to minimize its impact on the  
27 Rural Deficit. Examples of such initiatives are as follows:

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<sup>21</sup> The customer is located in Makkovik, Labrador and has a 48 kW solar energy generator.

- 1 • Utilizing cost-effective commercial air flights during regular work hours, where practical, rather  
2 than helicopter use;
- 3 • Having running maintenance (e.g., oil changes) completed by diesel system representatives  
4 rather than deploying maintenance crews to diesel communities;
- 5 • Participating in the North American Off-Grid Utilities Association to work with other utilities with  
6 diesel generating stations for comparison of operating procedures and new technology to  
7 enhance efficiency in operations and maintenance; and
- 8 • Focusing on identifying planning and scheduling efficiencies, including a significant coordination  
9 effort to ensure that delays and duplicate asset outages are minimized.

## 10 **4.0 Capital Initiatives**

### 11 **4.1 Replace Metering System**

12 In Board Order No. P.U. 37(2021), as part of its 2022 Capital Budget Application (“CBA”), Hydro received  
13 approval for replacement of approximately 31,000<sup>22</sup> manually-read meters and TS1 AMI<sup>23</sup> meters.  
14 Completion of this project is projected to result in annual Rural Deficit savings when compared to  
15 continuing with manually-read meters. At the end of 2024, Hydro had installed 94% of the new meters.  
16 Hardware and software for this project have been received and installed for use by meter readers.  
17 Training with users has been completed and full implementation of meters is expected to be completed  
18 in the second quarter of 2025.<sup>24</sup>

### 19 **4.2 Diesel Asset Management Strategy**

20 Hydro has continued to evolve its asset management strategy, resulting in Isolated System cost savings.  
21 Hydro has changed its approach to its diesel unit overhauls for 1,200 RPM units,<sup>25</sup> running the units for  
22 30,000 hours between overhauls and replacing them at 120,000 hours instead of 100,000 hours, thereby  
23 extending the useful life of the units.

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<sup>22</sup> 28,056 energy-only meters and 3,131 demand and energy meters.

<sup>23</sup> Automated Metering Infrastructure (“AMI”).

<sup>24</sup> Meter replacements did not include those in Harbour Breton and Happy Valley, as meters in these areas were PLX models and not included in the 2022 Capital Budget Application. Meters in Harbour Breton and Happy Valley have since been planned for replacement as part of Hydro's Purchase Meters and Metering Equipment program beginning in 2025 and 2026, respectively.

<sup>25</sup> Hydro has eight 1,200 RPM units.

1 Hydro has also continued to replace engines rather than overhaul them when it is cost effective to do so  
2 and when engines are available. As prices fluctuate from year-to-year, this approach will continue to be  
3 evaluated on a case-by-case basis to ensure that Hydro is availing of the least-cost alternative in the  
4 provision of reliable service. On a case-by-case basis, Hydro has also considered completion of unit  
5 overhauls based on condition versus hours alone. In certain circumstances, where a replacement engine  
6 has been sourced to minimize risks associated with failure, this practice can extend the life of the unit  
7 and result in significant cost savings.

### 8 **4.3 Diesel Unit Sizes**

9 In response to increasing loads in certain isolated diesel communities, Hydro has been replacing some of  
10 its 1,800 RPM diesel units with larger, slower turning 1,200 RPM units. This has resulted in lower  
11 operating costs in isolated systems as a result of material reductions in labour costs and travel  
12 associated with corrective maintenance,<sup>26</sup> as well as increased reliability.

### 13 **4.4 LED Street Lights**

14 The Nain LED Street Light Pilot Project,<sup>27</sup> implemented in 2015, provided direct cost savings as a result of  
15 the displacement of fuel costs. As a result, Hydro converted the street lights in the community of Ramea  
16 to LED street lights in 2018 and submitted a two-year capital proposal in its 2019 CBA to convert street  
17 lights to LED in the remaining diesel systems. The proposal was approved and execution began in 2019  
18 with the conversion of street lights in the community of Cartwright. In 2020, all remaining isolated  
19 Labrador communities' street lights were converted to LED.

20 This project produces annual energy savings of approximately 120 MWh. LED street lights are also  
21 expected to contribute to lower operating and maintenance costs than high-pressure sodium ("HPS")  
22 street lights due to the elimination of relamping requirements and longer life.

23 Hydro submitted a capital proposal in its 2021 Capital Budget Application to replace all HPS street lights  
24 by 2026 for both the Island and Labrador. In 2024, an estimated 1,217 HPS street lights were replaced,

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<sup>26</sup> Savings achieved through this initiative are primarily through avoided costs or productivity improvements; therefore, Hydro is not able to quantify the exact impact on the Rural Deficit.

<sup>27</sup> Hydro initiated a pilot LED street light replacement project for the Town of Nain with a total of 125 HPS street light fixtures replaced with LED street light fixtures. The street light retrofit yields savings of approximately 45 MWh annually, which offsets approximately 12,000 litres of fuel consumption.

1 resulting in approximate annual savings of 346 MWh. Since the beginning of the LED program, 5549  
2 streetlights were replaced, resulting in cumulative savings of approximately 1,625 in MWh.

### 3 **4.5 Diesel Generating Station Communication Upgrades**

4 In 2022, Hydro completed an upgrade to the communications technology at Cartwright Diesel  
5 Generating Station through a conversion from service provided over copper cable-based Digital  
6 Subscriber Line (“DSL”) to a fibre-optic based Ethernet service. The copper-based service provided very  
7 low bandwidth which was also shared with other users in the community; as a result, it provided poor  
8 performance and was prone to network congestion-related outages. The fiber-optic based Ethernet  
9 service provides approximately 20 times more bandwidth which is also dedicated to Hydro. As a result,  
10 more bandwidth-intensive applications can be used at the diesel generating stations, such as secure  
11 remote access to equipment which allows operations personnel to provide support and troubleshooting  
12 remotely, instead of travelling to the site. Further, the upgraded communications with diesel generating  
13 stations will improve the ability to monitor diesel generating stations loads and may provide  
14 opportunities to implement demand management initiatives in diesel areas that can contribute to  
15 deferral of capacity additions on isolated diesel systems.

16 Additional conversions to fibre-optic technology were completed at St. Lewis and Hopedale Diesel  
17 Generating Stations in 2023. In 2024, the DSL at Port Hope Simpson was replaced with fiber-optic  
18 service. Also, Geostationary Earth Orbit (GET) satellite connectivity was replaced with Low Earth Orbit  
19 satellite connectivity (Starlink) at Norman Bay, Black Tickle and Paradise River. These additional  
20 upgrades further enhanced communication at the diesel generating stations. These improvements in  
21 technology allow Hydro to increase its operations oversight without incurring additional costs associated  
22 with travel to and from site, and enable further realization of cost reductions via remote connectivity.

## 23 **5.0 Conclusion**

24 Hydro continues to pursue initiatives and activities to reduce the Rural Deficit, including cost reduction  
25 and energy conservation initiatives. Management of the Rural Deficit is challenging as it is primarily a  
26 result of government policy initiatives; this includes energy pricing in some diesel areas that is lower  
27 than the energy pricing on the Island Interconnected System (i.e., as a result of the Northern Strategic  
28 Plan Billing Credit provided in Labrador diesel communities). These pricing signals can promote load  
29 growth and result in higher fuel usage and capacity requirements that can lead to additional capital  
30 investments and higher cost to provide service.

1 Prior to 2021, variability in the Rural Deficit over recent years has primarily been the result of changes in  
2 fuel cost. Since 2021, in addition to fuel cost changes, the Rural Deficit has increased further as a result  
3 of Hydro’s commencement of payments under the Muskrat Falls PPA and TFA in November 2021 and  
4 April 2023, respectively. This additional purchased power expense is reflected in the balance of the  
5 SCVDA. In 2024, a total of approximately \$240.3 million of funding has been provided for the purpose of  
6 rate mitigation, reducing the balance due from customers in the SCVDA. As there is currently no  
7 methodology approved for allocation amongst customer classes, the Rural Deficit amounts provided in  
8 this report have not yet been updated to reflect this reduction. Hydro’s costs, excluding supply cost  
9 variability, have been relatively stable over the period 2020–2024 demonstrating Hydro’s ongoing effort  
10 to limit growth in the Rural Deficit.

# Affidavit



**IN THE MATTER OF** the *Public Utilities Act*, ("Act"), and

**IN THE MATTER OF** Newfoundland and Labrador Hydro's Annual Return for 2024 filed in pursuant to Section 59(2) of the Act.

**AFFIDAVIT**

I, Lisa Hutchens, Vice President, Chief Financial Officer, of St. John's in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am the Vice President, Chief Financial Officer, for Newfoundland and Labrador Hydro, and as such I either have personal knowledge of, or I have been so informed and verily believe, the matters and things contained within the Newfoundland and Labrador Hydro 2024 Annual Return.
- 2) I have read the contents of the 2024 Annual Return and they are true to the best of my knowledge, information, and belief.

**SWORN** at St. John's in the province of Newfoundland and Labrador this 1st day of April 2025, before me:

  
\_\_\_\_\_  
Commissioner for Oaths, Newfoundland and Labrador

  
\_\_\_\_\_  
Lisa Hutchens, Vice President, Chief Financial Officer, CPA

**RENEE REARDON**  
A Commissioner for Oaths in and for the Province of Newfoundland and Labrador.  
My commission expires on December 31, 2029.