

IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

IN THE MATTER OF an application by Newfoundland Power Inc. (“Newfoundland Power” or the “Applicant”) to establish customer electricity rates for 2025 and 2026 (the “Application”).

**Settlement Agreement
for the Proposed Resolution of Issues Arising
from the Application**

WHEREAS the Applicant has filed the Application with the Board of Commissioners of Public Utilities of Newfoundland and Labrador (the “Board”);

AND WHEREAS the Consumer Advocate, Newfoundland and Labrador Hydro (“Hydro”), and the International Brotherhood of Electrical Workers, Local 1620 (“IBEW”) have been granted Intervenor status by the Board;

AND WHEREAS the Applicant, the Consumer Advocate, Hydro, and the IBEW (the “Parties”), with participation by Board hearing counsel, have engaged in negotiations;

AND WHEREAS the Parties have agreed to make joint recommendations to the Board for the resolution of certain issues arising from the Application.

A. Terms of Agreement

1. The Parties jointly advise the Board that certain issues arising from the Application have been settled by negotiation between them in accordance with this Settlement Agreement (the “Settled Issues”).
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Settled Issues in its order on the Application.
3. At the hearing of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Settled Issues beyond that which is reasonably necessary to assist the Board’s understanding, and to explain or clarify the Parties’ agreement concerning the Settled Issues, except insofar as may be necessary to address issues that have not been settled by this Agreement.
4. This Settlement Agreement does not dispose of all issues arising from the Application. It does not limit the rights of the Parties to present evidence, examine, cross-examine and

present argument at the hearing of the Application on issues that have not been settled by this Agreement.

5. This Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application. It sets no precedent for any issue addressed in this Agreement in any future proceeding or forum.

B. Settled Issues

Automatic Adjustment Formula

6. The Parties agree that the Board should approve the continued suspension of the use of an automatic adjustment formula for setting the allowed rate of return on equity for Newfoundland Power in years subsequent to 2026 until the Board makes a subsequent determination in relation to the Applicant's next general rate application.

Regulatory Accounting

7. The Parties agree that the Board should approve, for costs incurred commencing January 1, 2021, amendments to Clause II.9 of the Rate Stabilization Clause as set out in the Application to allow for recovery of costs charged annually to the Electrification Cost Deferral Account.
8. The Parties agree that the Board should approve amendments to the definition of the Demand Management Incentive Account ("DMI Account") effective January 1, 2025, to establish a threshold of \pm \$500,000 as proposed in the Application.
9. The Parties recognize that more detailed information on the Applicant's supply cost mechanisms, including its energy supply cost variance account, demand management incentive account and weather normalization reserve, would be beneficial to the Board and to the Parties in consideration of the Applicant's future general rate applications. The Applicant will prepare a report ahead of its next general rate application that reviews each of its supply cost mechanisms, including review of the recommendations in The Brattle Group Report on Newfoundland Power's Deferral Accounts, dated April 24, 2024 and including a jurisdictional review. The report will be filed with the Board on or before December 31, 2025.
10. The Parties agree that the Board should approve the Applicant's proposed amendments to the definition of the Pension Capitalization Cost Deferral Account effective January 1, 2025, to cease charges to the account effective December 31, 2024.
11. The Parties agree that the Board should approve the creation and use of a deferral account to provide for the deferred recovery of actual costs incurred associated with the Applicant's conversion to International Financial Reporting Standards (the "IFRS Cost Deferral Account"). The Parties further agree that the revenue requirement for 2025 and 2026 will be decreased by \$995,000 and \$495,000, respectively, to reflect the use of the

IFRS Cost Deferral Account. The IFRS Cost Deferral Account definition is provided as Schedule A to this Settlement Agreement.

Hearing Costs

12. The Parties agree that the Board should approve the Applicant's proposal that the Board and Consumer Advocate hearing costs related to the Application be recovered over a 30-month period commencing July 1, 2025 and ending December 31, 2027. For rate setting purposes, the Board and Consumer Advocate hearing costs shall be estimated at \$1.0 million. Any difference between actual costs and the costs estimated for rate setting purposes shall be recovered or rebated through the Applicant's Rate Stabilization Account.

Depreciation Expense

13. The Parties agree that the Board should approve the calculation of depreciation expense as proposed in the Application.

Customer, Energy and Demand Forecast

14. The Parties agree that the Board should approve the 2025 and 2026 Customer, Energy and Demand forecast ("CED Forecast") proposed in the Application for use in the Application.
15. The Applicant will engage an expert to conduct a review of its CED Forecast methodology, including a review of the recommendations set out in The Brattle's Group's Review of Newfoundland Power Load Forecasting Methodology dated April 17, 2024. The Applicant will file the results of the review with the Board on or before December 31, 2025.

AGREED to effective the 4th day of June, 2024.

For Newfoundland Power:



For the Consumer Advocate:



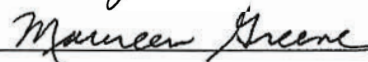
For Newfoundland and Labrador Hydro:



For the IBEW, Local 1620:



For the Board's hearing counsel:



Schedule A

IFRS Cost Deferral Account Definition

Newfoundland Power Inc.

IFRS Cost Deferral Account

Proposed Definition

IFRS Cost Deferral Account

18xxx

Effective January 1, 2025, this account shall be charged with the operating costs incurred to enable Newfoundland Power to report its financial statements in accordance with International Financial Reporting Standards (“IFRS”).

Transfers to, and from, the proposed account will be tax-effected.

Amortization of the account balance will be subject to a future order of the Board.