

1 Q. **Reference: CA-NLH-023.**

2 The question asks *"Is the 25 cents/kWh figure in the Build Application representative of*
3 *mitigated or unmitigated rates?"*

4 **a)** Does Hydro stand behind the information in its Build Application?

5 **b)** Is it accurate to say that every estimate in the Build Application, and for that matter, the
6 2026 CBA may change?

7 **c)** Does Hydro agree that when considering impacts on rates owing to projects and programs
8 in its CBA an important consideration is whether the analysis is based on mitigated or
9 unmitigated rates? Since unmitigated rates reflect the full cost, should not economic
10 analyses be based on them?

11 **d)** Do any of the projects and programs in the 2026 CBA have expected lives of 15 years or
12 more?

13 **e)** Please answer the question. Is the 25 cents/kWh figure in the Build Application
14 representative of mitigated or unmitigated rates?

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17 A. Newfoundland and Labrador Hydro ("Hydro") strives to provide the most accurate, transparent,
18 and detailed evidence it can in any application before the Board of Commissioners of Public
19 Utilities ("Board") and is confident in that evidence as supportive to the proposals Hydro makes
20 in the respective application. The estimates provided within Hydro's 2026 Capital Budget
21 Application ("CBA")¹ are generally considered AACE Class 3 estimates, anticipated to be accurate
22 within a range of +20/-30 percent. Project estimates are based on the best information available

¹ The estimates for Bay d'Espoir Unit 8 and the Avalon Combustion Turbine proposed in the 2025 Build Application are also considered AACE Class 3 estimates.

1 at the time; however, are time sensitive and are subject to supply chain pressures and delays in
2 project execution.

3 In line with its investment strategy, Hydro considers many factors in the selection of the projects
4 and programs for inclusion in its budget, including operational risks, ability to execute, total
5 investment, and cumulative risk associated with balancing aging assets while providing least-
6 cost, reliable service in an environmentally responsible manner. The focus of the 2026 CBA is to
7 maintain the expected level of reliability while ensuring prudent and reasonable expenditures
8 reflective of Hydro's capital plan considerations, which represent an achievable level of
9 execution success. Where applicable, Hydro has typically outlined the expected life cycle of
10 assets within the respective proposals. A significant portion of Hydro's proposed expenditures in
11 its 2026 CBA are renewal driven and, if more than one viable alternative exists, Hydro performs
12 a cost benefit analysis to ensure the option proposed is least-cost.

13 As Hydro noted in its response to CA-NLH-023 of this proceeding, the rates referenced are
14 estimates utilized in developing the 2024 Load Forecast. That report² noted that the rates used
15 align with Government's final rate mitigation plan; however, those rates are based on
16 assumptions³ made at a point in time and the actual customer rates could differ for a variety of
17 reasons including assumptions around rate mitigation post-2030, actual customer load, rate
18 increases associated with Newfoundland Power Inc.'s costs, etc.

19 It remains Hydro's opinion that the information requested relevant to the 2025 Build
20 Application is not necessary for a satisfactory understanding of the matters to be considered in
21 the 2026 CBA as required by the *Board of Commissioners of Public Utilities Regulations, 1996*.

² "2025 Build Application, Bay d' Espoir Unit 8 and Avalon Combustion Turbine," Newfoundland and Labrador Hydro, March 21, 2025, sch 3, app. A.

³ Assumptions included continuation of rate mitigation beyond 2030 but with a phased-in collection of costs related to the expansion builds.