Q. **Reference: PUB-NLH-006.**

It is stated *"The costs relating to the 2026 Capital Budget Application will begin to be recovered when they are included in Newfoundland and Labrador Hydro's general rate application."*

a) Please confirm, with appropriate clarification, that this statement means that Hydro intends, through its next GRA, to include the approved 2026 capital budget expenditures in its rate base and have its revenue requirement adjusted accordingly.

b) With the Rate Mitigation Plan limiting the island domestic rate increases to 2.25% annually until 2030, how can Hydro begin to recover the costs relating to its 2026 capital budget application after its next GRA? Who will pay?

c) It is also stated *"The current rate mitigation plan, expiring in 2030, offsets the impact of the Muskrat Falls Project costs to achieve the 2.25% rate increase target, resulting in the recovery of all other costs included in the approved revenue requirement and rate riders."* Please explain how the recovery of all other costs included in the approved revenue requirement and rate riders is achieved under the current rate mitigation plan.

A. **a)** Yes, Newfoundland and Labrador Hydro ("Hydro") is planning to file its next general rate application ("GRA") with a 2027 Test Year which will include additions to rate base for capital projects forecast to be completed up to December 31, 2027; and, have its revenue requirement adjusted accordingly. GRA preparation has already progressed using forecast of costs submitted in the 2025 Capital Budget Application for the period of 2025 to 2027.

b) After the next GRA, the costs relating to the 2026 capital budget will be included in Hydro's test year revenue requirement. Rates to be charged to customers will reflect the total revenue requirement less rate mitigation required to meet the target rate in 2027 reflecting 2.25% increases annually. It is anticipated that the target rates will allow for the recovery from customers of the additional capital costs in addition to recovery of a portion of Muskrat Falls Project Costs, with rate mitigation addressing the balance.

c) Current rates collect the revenue requirement that was approved based on 2019 Test Year costs. The concept of recovering other costs under the current rate mitigation plan is best demonstrated through the example outlined in Table 1, which was filed within Hydro's most recent Utility Rate application.[1]

Table 1: Utility Estimated Customer Billing Impacts

Utility Estimated Customer Billing Impacts - July 1, 2025 RSP, CDM, and Project Cost Recovery Rider									
	Billing Units[1]	Unit	Current Rates	Billings at Existing Rates ($)	Proposed July 1, 2025 Rates	Revised Billings ($)	Change ($)	Change Utility (%)	Estimated Change End Customer[2,3] (%)
Demand (kWs)	16,283,457	$/kW/mo	5.00	81,417,285	5.000	81,417,285			
1st Block - Energy (MWhs)	3,780,000	?/kWh	8.515	321,867,000	8.515	321,867,000			
2nd Block - Winter Energy (MWhs)	608,390	?/kWh	9.698	59,001,707	9.698	59,001,707			
2nd Block - Non-Winter Energy (MWhs)	1,313,229	?/kWh	3.354	44,045,710	3.354	44,045,710			
Total Base Rate				**506,331,702**		**506,331,702**	-		
RSP Current Plan Adjustment	5,701,620	?/kWh	0.461	26,284,467	0.413	23,547,690	(2,736,777)	(0.5)	(0.3)
CDM Cost Recovery Adjustment	5,701,620	?/kWh	0.017	969,275	0.019	1,083,308	114,032	0.0	0.0
Project Cost Recovery Rider	5,701,620	?/kWh	1.124	64,086,206	1.516	86,436,555	22,350,349	3.7	2.6
Total				**597,671,650**		**617,399,255**	**19,727,604**	**3.3**	**2.3**

In Table 1, Hydro collects other costs through a rate rider for recovery of Rate Stabilization Plan balances (RSP Current Plan Adjustment) estimated at $23,547,690 and for Conservation and Demand Management Costs (CDM Cost Recovery Adjustment) estimated at $1,083,308. These other costs are collected while achieving the targeted end customer rate increase of 2.3%, or 2.25% for domestic customers, by adjusting the recovery of the Project Cost Recovery Rider.

[1] Table 1 is provided within Appendix A to Schedule 1 of "Application for July 1 Utility Rate Adjustments," Newfoundland and Labrador Hydro, April 15, 2025.