Q. **Reference: Application, Chapter 1 – Overview, page 1.20**

Hydro states "The calculation of the cost of service for Labrador Interconnected System Domestic and General Service customers indicated an estimated rate increase of approximately 8.5%. To mitigate the impact on customers, with support from Government, Hydro is proposing to smooth the required rate increase over a four-year period, beginning with a 2.25% annual rate increase proposed to take effect on July 1, 2027. This increase is consistent with Domestic and General Service Island Interconnected System rates effective July 1, 2027."

a) Are these customers served from Hydro's distribution system or its transmission system?

b) Are these customers required to pay for Muskrat Falls?

c) Is any portion of rate mitigation allocated to these customers?

d) What is the revenue deficit that results from limiting the rate increase for these customers to 2.25% and how will it be recovered?

A. **a)** These customers are served from Newfoundland and Labrador Hydro's ("Hydro") distribution system.

b) No, these customers are not required to pay for Muskrat Falls. Muskrat Falls supply costs are allocated to the Island Interconnected System.

c) No portion of rate mitigation is allocated to the Labrador Interconnected System. It is only applied to the Island Interconnected System.

d) Please refer to Chapter 6, Table 6-10 of Hydro's 2026 General Rate Application.