Q. **Reference: Volume 1, page 153; Volume 2, pages 76, 80**

Identify all sources of 2027 rate mitigation funding, including Hydro internal sources and Government of Canada Convertible Debenture funding, and explain the risks associated with each source. Provide source-by-source funding amounts, legal/contractual basis, timing, conditions, forecast uncertainty, accounting treatment, cash-flow timing, and the consequences if funding is delayed or lower than forecast.

A. The sources of rate mitigation funding in the 2027 Test Year include:

- Newfoundland and Labrador Hydro's ("Hydro") internal sources of funding; and
- Government of Canada Convertible Debenture funding.

The breakdown of the 2027 Test Year rate mitigation funding by source can be found in Table 5-6 on page 5.10 of Chapter 5 of Hydro's 2026 General Rate Application ("GRA"). Hydro's internal sources of funding come from dividends paid to Hydro from its non-regulated subsidiaries. Figure 1-5 on page 1.18 of Chapter 1 of Hydro's 2026 GRA outlines these sources.

Hydro does not consider there to be risk associated with the Government of Canada Convertible Debenture funding. Hydro's internal sources of funding is dependent on the financial performance and cash generation of the entities that provide those funds. Hydro monitors financial performance and risks through regular financial forecasting that would enable it to proactively identify any risk associated with its ability to fund rate mitigation. Based on current forecasts, Hydro expects the identified funding sources to fully support the rate mitigation requirements for the 2027 Test Year. Hydro monitors these funding sources on an ongoing basis and, should a material variance be identified, would assess available options and engage with Government as appropriate..

The terms and conditions associated with the Government of Canada Convertible Debenture are described in Hydro's response to part c) of CA-NLH-060 of this proceeding.

Funding from the Government of Canada Convertible Debenture is generally received during the third quarter. Funding from Hydro's internal sources is dependent on direction from Government. As the timing of funding receipts will not align with the timing of supply cost payments, Hydro utilizes its short-term borrowing facilities to manage any timing differences in cash flows. For purposes of the 2027 Test Year, Hydro has assumed that annual rate mitigation funding is received evenly throughout the year.[1]

Regardless of the source of funding, the accounting treatment is the same. Rate mitigation funding is received and recorded as cash, with a corresponding increase in Hydro's revenue.[2] Any variance between the 2027 Test Year forecast rate mitigation funding and the actual funding received will be recorded in Hydro's proposed Long-Term Supply Cost Variance Deferral Account.

If rate mitigation funding required to achieve the target customer rate is greater or less than forecast, funding required from Hydro's internal sources would increase or decrease accordingly.

[1] As noted in footnote 49 on page 5.10 of Hydro’s 2026 GRA, in Hydro’s revenue requirement, for the purposes of rate design, the timing of rate mitigation funding has been aligned with the timing of the associated Muskrat Falls supply cost payments. Actual timing of rate mitigation funding may differ.

[2] In Board of Commissioners of Public Utilities (“Board”) Order No. P.U. 34(2025), the Board approved Hydro’s application for a deviation from International Financial Reporting Standards to record rate mitigation funding as revenue.