Q. **Reference: Tables 6-1 & 6-2, pages 6.8 – 6.9**

In order to understand the isolated impact to each customer class associated with the change in the Newfoundland Power generation credit only, provide a table that compares the cost allocation impact by customer class between the approved 2017 GRA and the proposed 2027 Test Year. As part of the response, include: i) total revenue requirement by class assuming the approved 2017 GRA generation credit of 118.1 MW; ii) the total revenue requirement by class as proposed in the current 2026 GRA; iii) the variance ($ and %) by customer class; and iv) a brief discussion of the driver (s) of the change in allocated cost by customer class.

A. Newfoundland and Labrador Hydro ("Hydro") has prepared the requested comparison by running the 2027 Test Year Cost of Service model under two scenarios: one assuming the approved 2017 General Rate Application ("GRA") Newfoundland Power Inc. ("Newfoundland Power") generation credit of 118.1 MW, and one reflecting the proposed 2027 Test Year treatment in the current 2026 GRA Cost of Service model. The comparison uses Schedule 1.2, "Comparison of Revenue & Allocated Revenue Requirement" and presents the Cost of Service before deficit and revenue credit allocation. This basis was used to isolate the cost allocation impact of the Newfoundland Power generation credit change before the effect of rural deficit and revenue credit allocations.

Refer to page 1 of CA-NLH-138, Attachment 1, for a comparison of Schedule 1.2, based on the proposed Test Year, and using the 2017 approved generation credits.

Discussion of Drivers

Page 1 of CA-NLH-138, Attachment 1 shows that the change in the Newfoundland Power generation credit, from the proposed credit back to the original credit, would decrease the total

Cost of Service for Newfoundland Power by approximately $522,026, before the application of the rural deficit.[1]

The principal driver of the change is the treatment of Newfoundland Power's generation credit in the demand allocation inputs. Changing the proposed generation credit of 103,299 kW back to 118,054 kW decreases Newfoundland Power's net responsibility for demand-related production costs in the Cost of Service allocation process. This shifts a portion of demand-related costs from Newfoundland Power and correspondingly increases the costs allocated to the other Island Interconnected customer classes that share in those demand-related cost pools.

This change affects the production demand allocation metrics.

[1] The analysis did not include an adjustment to rate mitigation to account for the change in Newfoundland Power costs.

Comparison of Test Year Revenue Requirement

Customer Class	2017 GRA NP Generation Credit Scenario ($)	2027 Test Year Proposed 2026 GRA ($)	Variance ($)	Variance (%)	Source
Newfoundland Power	573,514,987	574,037,014	(522,026)	-0.09%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Island Industrial	43,089,741	42,815,548	274,193	0.64%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Labrador Industrial	9,172,200	9,172,200	-	0.00%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Rural Labrador Interconnected	20,039,020	20,039,020	-	0.00%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Island Interconnected	87,563,263	87,315,429	247,833	0.28%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Island Isolated	10,404,402	10,404,402	-	0.00%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Labrador Isolated	44,165,488	44,165,488	-	0.00%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
L'Anse-au-Loup	9,758,496	9,758,496	-	0.00%	Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation
Total	**797,707,596**	**797,707,596**	**-**	**0.00%**	**Schedule 1.2 (Rev to Cost), Cost of Service Before Deficit and Revenue Credit Allocation**

Newfoundland and Labrador Hydro
2027 Test Year Cost of Service Study
Total System
Comparison of Revenue & Allocated Revenue Requirement

Line No.	1 Rate Class	2 Revenues ($)	3 Cost of Service Before Deficit and Revenue Credit Allocation ($)	4 Revenue Credits ($)	5 Deficit ($)	6 RSP Activity ($)	6 Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5) ($)	7 Revenue to Cost Coverage (Col.2/3)
	Total System							
1	Newfoundland Power	-	(522,026)	-	237,539	-	(284,488)	
2	RSP Activity	-	-	-	-	-	-	
3	**Subtotal Newfoundland Power**	**-**	**(522,026)**	**-**	**237,539**	**-**	**(284,488)**	**0.00**
			-		-		-	
4	Island Industrial	-	274,193	-	-		274,193	(0.00)
5	Unallocated RSP Hydraulic Variation	-	-	-	-		-	-
6	Labrador Industrial	-	-	-	-		-	0.00
7	CFB - Goose Bay Secondary	-	-	-	-		-	-
8	Rural Labrador Interconnected	-	-	-	10,295		10,295	-
			-		-		-	
	Rural Deficit Areas		-		-		-	
9	Island Interconnected	-	247,833	-	(247,833)		-	0.00
10	Island Isolated	-	-	-	-		-	-
11	Labrador Isolated	-	-	-	-		-	-
12	L'Anse-au-Loup	-	-	-	-		-	-
13	CFB Revenue Credit Applied to Deficit	-	-	-	-		-	-
			-		-		-	
14	**Subtotal**	**-**	**247,833**	**-**	**(247,833)**	**-**	**-**	**0.00**
			-		-		-	
15	**Total**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.00)**

Newfoundland and Labrador Hydro
2027 Test Year Cost of Service Study
Total System
Comparison of Revenue & Allocated Revenue Requirement

Line No.	1 Rate Class	2 Revenues ($)	3 Cost of Service Before Deficit and Revenue Credit Allocation ($)	4 Revenue Credits ($)	5 Deficit ($)	6 RSP Activity ($)	6 Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5) ($)	7 Revenue to Cost Coverage (Col.2/3)
	Total System							
1	Newfoundland Power	636,811,717	574,037,014	-	62,778,788	-	636,815,801	
2	RSP Activity	-	-	-	-	-	-	
3	**Subtotal Newfoundland Power**	**636,811,717**	**574,037,014**	**-**	**62,778,788**	**-**	**636,815,801**	**1.11**
4	Island Industrial	42,815,529	42,815,548	-	-		42,815,548	1.00
5	Unallocated RSP Hydraulic Variation	-	-	-	-		-	-
6	Labrador Industrial	9,171,998	9,172,200	-	-		9,172,200	1.00
7	CFB - Goose Bay Secondary	-	-	-	-		-	-
8	Rural Labrador Interconnected	22,231,036	20,039,020	-	2,191,541		22,230,560	1.11
	Rural Deficit Areas							
9	Island Interconnected	68,909,058	87,315,429	-	(18,406,371)		68,909,058	0.79
10	Island Isolated	1,717,949	10,404,402	-	(8,686,453)		1,717,949	0.17
11	Labrador Isolated	11,969,343	44,165,488	-	(32,196,145)		11,969,343	0.27
12	L'Anse-au-Loup	4,077,137	9,758,496	-	(5,681,359)		4,077,137	0.42
13	CFB Revenue Credit Applied to Deficit	-	-	-	-		-	-
14	**Subtotal**	**86,673,487**	**151,643,815**	**-**	**(64,970,328)**	**-**	**86,673,487**	**0.57**
15	**Total**	**797,703,766**	**797,707,596**	**-**	**-**	**-**	**797,707,596**	**1.00**

Newfoundland and Labrador Hydro
2027 Test Year Cost of Service Study
Total System
Comparison of Revenue & Allocated Revenue Requirement

Line No.	1 Rate Class	2 Revenues ($)	3 Cost of Service Before Deficit and Revenue Credit Allocation ($)	4 Revenue Credits ($)	5 Deficit ($)	6 RSP Activity ($)	6 Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5) ($)	7 Revenue to Cost Coverage (Col.2/3)
	Total System							
1	Newfoundland Power	636,811,717	573,514,987	-	63,016,326	-	636,531,314	
2	RSP Activity	-	-	-	-	-	-	
3	**Subtotal Newfoundland Power**	**636,811,717**	**573,514,987**	**-**	**63,016,326**	**-**	**636,531,314**	**1.11**
4	Island Industrial	42,815,529	43,089,741	-	-		43,089,741	1.00
5	Unallocated RSP Hydraulic Variation	-	-	-	-		-	-
6	Labrador Industrial	9,171,998	9,172,200	-	-		9,172,200	1.00
7	CFB - Goose Bay Secondary	-	-	-	-		-	-
8	Rural Labrador Interconnected	22,231,036	20,039,020	-	2,201,835		22,240,855	1.11
	Rural Deficit Areas							
9	Island Interconnected	68,909,058	87,563,263	-	(18,654,205)		68,909,058	0.79
10	Island Isolated	1,717,949	10,404,402	-	(8,686,453)		1,717,949	0.17
11	Labrador Isolated	11,969,343	44,165,488	-	(32,196,145)		11,969,343	0.27
12	L'Anse-au-Loup	4,077,137	9,758,496	-	(5,681,359)		4,077,137	0.42
13	CFB Revenue Credit Applied to Deficit	-	-	-	-		-	-
14	**Subtotal**	**86,673,487**	**151,891,648**	**-**	**(65,218,162)**	**-**	**86,673,487**	**0.57**
15	**Total**	**797,703,766**	**797,707,596**	**-**	**-**	**-**	**797,707,596**	**1.00**