Q. **Reference: Volume 1, pages 1.17 to 1.18 and 5.16; Schedule E-I; Volume 2, Exhibit 3**

a) Describe the mechanism by which Hydro's rates effective July 1, 2028, July 1, 2029 and July 1, 2030 will be established, including whether each annual rate change will be implemented through a general rate application, a rate adjustment application, escalation of 2027 Test Year rates, or another process, and identify the statutory or regulatory authority for changing rates in each of those years in the absence of a new test year.

b) Confirm whether Hydro's revenue requirements for 2028, 2029 and 2030 will be subject to Board review and approval before rates for those years take effect. If not, explain how differences between Hydro's actual costs in those years and the 2027 Test Year forecast will be identified, reviewed and ultimately recovered from or returned to customers, including the role of the proposed Long-Term Supply Cost Variance Deferral Account.

c) Confirm whether Hydro anticipates that the 2027 Test Year will be the only Board-reviewed test year in effect during the remaining term of the Government's rate mitigation plan through 2030. If so, explain why this is consistent with the Board's supervisory role and with Hydro's own characterization of a typical three-to-five-year general rate application cadence.

d) Identify the annual reporting Hydro proposes to provide to the Board and intervenors between the conclusion of this proceeding and its next general rate application with respect to: (i) actual versus 2027 Test Year revenue requirements; (ii) the balances and activity in each deferral and variance account; and (iii) the status of rate mitigation funding.

A. **a)** Newfoundland and Labrador Hydro's ("Hydro") rates effective July 1, 2027, July 1, 2028, July 1, 2029, and July 1, 2030 are proposed to be established through annual rate adjustment applications, as directed by Order in Council OC2024-062.[1] Under this approach, Hydro would apply annually for approval of revised rates rather than filing a new General Rate Application ("GRA") based on a new test year for each year. The annual rate adjustments are expected to be driven primarily by the Project Cost Recovery Rider, which was approved by the Board of Commissioners of Public Utilities ("Board") and first implemented on July 1, 2022.[2] Modifications to the Project Cost Recovery Rider have subsequently been approved and implemented on an annual basis.[3] Hydro's authority to implement the revised rates would be subject to approval by the Board and the directives established through Order in Council OC2024-062. Annual updates to rates to reflect recoveries from or balances owed to customers, primarily related to supply costs, are a long-standing practice approved by the Board for Hydro.

b) Hydro's proposed revenue requirements for 2028, 2029, and 2030 will not be subject to a separate GRA and test year review prior to rates taking effect in each year. Rather, annual rate adjustments are proposed to be implemented in accordance with the Government of Newfoundland and Labrador's ("Government") Rate Mitigation Plan[4] and the directives set out in Order in Council OC2024-062. The Order in Council provides that "any application before the Board will be such that retail rate increases to domestic rate class customers attributable to Newfoundland and Labrador Hydro shall be targeted at 2.25% per year."[5]

Differences between actual costs incurred and the costs reflected in the 2027 Test Year forecast will not be addressed through separate annual test year proceedings. Instead, supply cost variances associated with Hydro's long-term supply resources will be tracked and recorded in the proposed Long-Term Supply Cost Variance Deferral Account. Hydro has proposed allocation methodologies for the account as part of its 2026 GRA (Chapter 5, Section 5.7). The proposed deferral account is intended to capture differences between

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[1] OC2024-062 (*Hydro Corporation Act*, SNL 2007, c H-17).
https://www.exec-oic.gov.nl.ca/public/oic/details?order-id=21851
[2] Approved in Board Order No. P.U. 19(2022).
[3] Approved in Board Order Nos. P.U. 15(2023), P.U. 15(2024), P.U. 22(2025), and P.U. 15(2026).
[4] "Implementation of the Rate Mitigation Plan," Newfoundland and Labrador Hydro, October 22, 2024.
http://www.pub.nl.ca/indexreports/ratemitigation/From%20NLH%20-%20Implementation%20of%20the%20Rate%20Mitigation%20Plan%20Report%20-%202024-10-22.PDF
[5] *Supra f.n. 1.*

forecast and actual long-term supply costs for future recovery from, or refund to, customers. The methodology for disposition of balances in the account has not yet been proposed. Any future disposition proposal, including the recovery or refund of amounts recorded in the account, would be subject to Board review and approval.

c) It is confirmed that it is anticipated that the 2027 Test Year will be the only Board-reviewed test year in effect during the remaining term of the Government's Rate Mitigation Plan through 2030. Historically, utilities in Newfoundland and Labrador have used a test-year approach to rate setting, with comprehensive reviews conducted periodically, often every three to five years, rather than through annual test year proceedings. This approach promotes regulatory efficiency while maintaining regulatory oversight through Board-approved rate adjustment and deferral account mechanisms.

d) Hydro currently provides quarterly and monthly reporting to the Board and intervenors on actual financial results, regulatory accounts, and rate mitigation funding.[6,7] Hydro proposes to continue this reporting between the conclusion of this proceeding and its next GRA through its Quarterly Regulatory Reports. The reports include information on variances from test year forecasts, balances and activity in deferral and variance accounts, and the status of rate mitigation funding and associated regulatory mechanisms.

[6] Please refer to Newfoundland and Labrador Hydro's Quarterly Regulatory Reports. http://www.pub.nl.ca/indexreportspages/quarterlyregulatory.php
[7] Please refer to Supply Cost Variance Deferral Accounts Reports – Monthly Updates. http://www.pub.nl.ca/indexreportspages/SupplyCost.php