

1 Q. **Reference: CA-NLH-036**

2 In an effort to establish the sensitivity of proposed rates to costs, how would Hydro's rate
3 proposals in the 2026 GRA be impacted if the Board were to deny \$20 million, \$50 million, \$100
4 million or \$200 million of the costs included in the revenue requirement in the 2027 Test Year
5 Cost of Service Study? For each case, state the assumed cost categories and customer
6 allocations, and show separately the changes in mitigation funding and rates by customer class.

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9 A. The impact of a reduction in the 2027 Test Year revenue requirement cannot be determined
10 solely by reference to a blanket dollar amount. The resulting impact on customer rates would
11 depend on a number of factors, including the nature and regulatory treatment of the costs
12 affected, the system and customer classes to which those costs are attributable, and the
13 applicable cost allocation methodology. As a result, the suggested reductions in different
14 components of the revenue requirement could produce different pre-rate mitigation impacts on
15 individual customer classes.

16 Newfoundland and Labrador Hydro's ("Hydro") individual proposals in the 2026 General Rate
17 Application ("GRA") are required to be considered on their own merits and in the context of the
18 evidence filed in support of those proposals. The potential impact that disallowance of a
19 particular cost may have on customer rates does not, in itself, determine whether the cost or
20 proposal should be approved. Hydro's 2026 GRA provides the evidence supporting its proposed
21 2027 Test Year revenue requirement and associated cost allocation and rate proposals.

22 In addition, Hydro's proposed rates for customers on the Island Interconnected System reflect
23 the rate mitigation framework. As described in Hydro's 2026 GRA, Hydro has structured its rate
24 proposals to target an annual increase of approximately 2.25% attributable to Hydro's costs for
25 Domestic customers on the Island Interconnected System through 2030. The hypothetical
26 reductions identified in the request would not cause the underlying 2027 rate requirement for
27 Island Interconnected Domestic customers to fall below the level associated with the targeted

1 rate increase, nor would it change Hydro's proposed utility wholesale rate for Newfoundland
2 Power Inc. To the extent such reductions affected costs allocated to customers on the Island
3 Interconnected System, the principal effect would instead be to reduce the amount of rate
4 mitigation funding required to achieve the targeted rate increase.

5 Hydro's proposed 2027 Test Year revenue requirement, cost allocations, rate mitigation funding
6 and resulting customer rates are set out in the application and supporting evidence. Hydro does
7 not consider it necessary for a satisfactory understanding of the matters to be considered in the
8 2026 GRA to develop alternative Cost of Service studies based on the hypothetical cost
9 reductions identified in the request.