

1 Q. **Reference: Response to CA-NLH-059, part a**

2 Further to the response to CA-NLH-059, part a, in which Hydro indicates that the amount of
3 required rate mitigation is a back-calculation of the amount required to achieve the target
4 annual rate increases of 2.25% to 2030 – please explain if the Board were to direct reductions to
5 the 2027 Test Year revenue requirements for non-Muskrat Falls costs, if the required level of
6 rate mitigation (\$502 million) for the 2027 Test Year would decrease by a corresponding
7 amount.

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10 A. The impact of any Board of Commissioners of Public Utilities (“Board”)-directed reduction in
11 2027 Test Year revenue requirements on the required level of rate mitigation would depend on
12 the nature of the costs reduced and the customer classes to which those costs are allocated.
13 Rate mitigation applies only to customers on the Island Interconnected System and does not
14 apply to Labrador Interconnected or Labrador Industrial customers. Accordingly, reductions to
15 costs allocated exclusively to Labrador customers would not reduce the required level of rate
16 mitigation.

17 For costs allocated to Island Interconnected System customers, a reduction in revenue
18 requirement would reduce the amount of rate mitigation required to achieve the targeted
19 customer rate increases. However, the reduction in required rate mitigation may not necessarily
20 be exactly equal to the reduction in revenue requirement. The relationship depends on how the
21 specific costs are allocated among Island Interconnected customer classes compared to the
22 functionalization of rate mitigation funding as generation and classification between demand
23 and energy based on system load factor approved in Board Order No. P.U. 14(2026).