

1 Q. **Reference: CA-NLH-057; CA-NLH-195, Attachment 1; CA-NLH-198; CA-NLH-204; Volume I,**
2 **Schedule D-V; OC2024-062 and OC2024-063; Hydro Corporation Act, 2024, section 4**

3 a) Identify funding assumed for 2031 costs, its basis and conditions, separately from
4 settlement of 2030 costs. State whether and how OC2024-063 applies after
5 amalgamation and 2030, its relationship to OC2024-062 and any amendments. Provide
6 existing transition analysis.

7 b) For an illustrative 2031 scenario, calculate the full-year 2031 mitigation required to
8 continue the Hydro-attributable 2.25% annual increase target for domestic customers.
9 Use 2030 as the base year and hold operating-cost, load, fuel-price, purchased-power-
10 price, export-price, allocation and return assumptions constant; identify scheduled
11 recovery changes and the capital and depreciation assumptions used. Test funding at
12 100%, 75% and 0% of the calculated requirement. Show the funding gap and customer-
13 class effects under immediate recovery and deferral. State the assumed rate-effective
14 dates and retail pass-through.

15 c) Compare four-year and eight-year recovery beginning in 2027 for the Phase Two
16 Hearing Costs Deferral Account and Reliability and Resource Adequacy Study Review
17 Deferral Account, including financing. Show annual combined recovery through 2034
18 with the other obligations in CA-NLH-195, Attachment 1, distinguishing proposed
19 recovery, approved recovery and recognition-account reversals. Assess whether a post-
20 2030 funding and recovery plan filed by December 31, 2028, followed by annual
21 updates, would allow timely review of customer impacts; explain any preferred
22 alternative.

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25 A. a) Orders in Council OC2024-062 and OC2024-063 establish the Government of Newfoundland
26 and Labrador's ("Government") rate mitigation framework for the period up to and
27 including 2030. OC2024-062 directs Newfoundland and Labrador Hydro ("Hydro") to

1 structure rate applications such that retail rate increases attributable to Hydro for Island
2 Interconnected System domestic customers are targeted at 2.25 percent annually up to and
3 including the year 2030.

4 OC2024-062 and OC2024-063 were issued together and operate in a complementary
5 manner. OC2024-062 directed Hydro to structure its rate applications to achieve the Target
6 Rate Increase for the period up to and including 2030 and provided that additional funding
7 required for rate mitigation was to be provided through Hydro's own sources, to the extent
8 possible. OC2024-063 separately directed Nalcor Energy ("Nalcor") to provide, from its own
9 sources, additional funding required by Hydro for the same rate-mitigation purpose.

10 Hydro and Nalcor were amalgamated effective January 1, 2025, and continued as a single
11 corporation under the *Hydro Corporation Act, 2024*. As a result of the amalgamation, the
12 assets, liabilities, obligations and agreements of both corporations continued under the
13 amalgamated Hydro. There is no longer a separate Nalcor entity or separate pool of Nalcor
14 sources from which funding can be provided pursuant to OC2024-063. The sources that
15 were formerly held separately by Hydro and Nalcor are now sources of the amalgamated
16 Hydro. However, the combined Orders in Council, read together, continue to indicate that
17 the amalgamated Hydro has the obligation to fully fund mitigation shortfalls from all of its
18 own sources.

19 The obligations established by OC2024-062 and OC2024-063 continue to be reflected in
20 Hydro's administration of the rate mitigation plan.

21 OC2024-062, as well as OC2024-063, continue in force notwithstanding the repeal of the
22 legislation under which they were issued. Subsection 30(1) of the *Interpretation Act*
23 provides that where legislation is repealed and substituted, regulations made under the
24 repealed legislation remain in force, insofar as they are not inconsistent with the substituted
25 legislation. The *Interpretation Act* definition of "regulation" expressly includes an order
26 made in the execution of a statutory power. The repeal and replacement of the *Hydro*
27 *Corporation Act, 2007* and the *Energy Corporation Act* by the *Hydro Corporation Act, 2024*
28 did not terminate the Orders.

1 While OC2024-062 specifically states that Hydro's funding be utilized to mitigate Lower
2 Churchill Project costs and achieve the Hydro Target Rate Increase for the period up to and
3 including 2030, OC2024-063 does not contain the same reference to the period. However,
4 the direction to Nalcor was predicated on the establishment in OC2024-062 of the Hydro
5 Target Rate Increase and associated additional-funding requirement for the period up to
6 and including 2030. Even prior to amalgamation, OC2024-063 did not provide an
7 independent basis for a rate-mitigation obligation after 2030.

8 The current Government rate mitigation framework applies up to and including the year
9 2030. Hydro will engage with Government in advance of 2030 regarding a post-2030 rate
10 mitigation framework. Until such direction is received, Hydro is unable to identify the
11 amount, sources, conditions, or funding requirements associated with rate mitigation for
12 2031.

13 **b)** Please refer to Hydro's response to part a). Hydro will engage with Government in advance
14 of 2030 regarding a post-2030 rate mitigation framework. Hydro does not consider it
15 necessary for a satisfactory understanding of the matters to be considered in this general
16 rate application to develop rate mitigation scenarios for 2031 based on the hypothetical
17 assumptions identified in the request.

18 **c)** Table 1 provides a comparison of a four-year and eight-year recovery period, beginning in
19 2027, of the Phase Two Hearing Costs Deferral Account and the Reliability and Resource
20 Adequacy ("RRA") Study Review Deferral Account, including financing, through 2034.
21 Changes in the recovery period of these two deferral accounts would not impact the
22 approved or proposed recovery periods or recovery amounts for the other deferral accounts
23 presented in CA-NLH-195, Attachment 1 of this proceeding and therefore Hydro has not
24 reproduced that information as part of this response.

**Table 1: Comparison of Recovery Periods for Phase Two Hearing Costs
and RRA Study Review Deferral Accounts
(\$000)¹**

	2027	2028	2029	2030	2031	2032	2033	2034	Total
Phase Two Hearing Costs – Four-Year Amortization	426	426	426	426	-	-	-	-	1,705
RRA Study Review – Four-Year Amortization ²	1,266	1,266	1,266	1,266	-	-	-	-	5,063
Total Deferral Recovery	1,692	1,692	1,692	1,692	-	-	-	-	6,768
Financing ³	273	206	124	41	-	-	-	-	645
Total	1,965	1,898	1,816	1,733	-	-	-	-	7,412
Phase Two Hearing Costs – Eight-Year Amortization	213	213	213	213	213	213	213	213	1,705
RRA Study Review – Eight-Year Amortization	633	633	633	633	633	633	633	633	5,063
Total Deferral Recovery	846	846	846	846	846	846	846	846	6,768
Financing ⁴	294	268	227	186	144	103	62	21	1,305
Total	1,140	1,114	1,073	1,032	990	949	908	867	8,073

- 1 A post-2030 funding and recovery plan would increase financing costs, compared to the two
- 2 alternative recovery periods in Table 1, to \$1,966 thousand⁵ based on an assumed four-year
- 3 recovery period, beginning in 2031. Therefore, Hydro suggests that the proposed eight-year
- 4 recovery period in its application would be a preferred alternative to a post-2030 funding
- 5 and recovery plan.

¹ Numbers may not add due to rounding.

² Hydro does not currently have a forecast for additions to this account for the period of 2028–2034; therefore, calculations do not include potential additions to the account in those forecast years. Any future additions, with the exception of those forecast for the 2027 Test Year, would be proposed for recovery in a separate application.

³ Financing is calculated based on the deferral account balances of the Phase Two Hearing Costs and the *RRA Study Review* Deferral Accounts only and therefore represents the incremental impact of these two deferral accounts. Calculation is based on average annual deferral account balance x Return on Rate Base of 4.88%, as proposed in Hydro's application.

⁴ Financing for an eight-year period assumes a Return on Rate Base of 4.88%.

⁵ Financing costs from 2027 through 2034, assuming an average annual deferral account balance and a Return on Rate Base of 4.88%.