

1 Q. **Reference: OIC OC2024-062; 2027 Cost of Service Study**

2 Please identify which, if any, Cost of Service inputs, allocation factors or customer class revenue-
3 to-cost ratios Hydro anticipates updating in establishing annual rate adjustments for 2028
4 through 2030.

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7 A. Newfoundland and Labrador Hydro (“Hydro”) does not anticipate updating any direct Cost of
8 Service inputs, allocation factors,¹ or customer class revenue-to-cost ratios in establishing
9 annual rate adjustments for 2028 through 2030.

10 The practice between test years has been to primarily recover variances from approved test
11 year supply costs, load variations, and conservation and demand management costs per
12 approved deferral account definitions and allocation factors through a rate rider which is
13 approved in each rate change application. The approved allocators for these variances in the
14 past have been the current year energy for each customer group. Chapter 5, Section 5.7 of
15 Hydro’s 2026 General Rate Application proposes using both demand and energy allocators for
16 test year supply cost variances based on current year values. Using allocators based on the
17 current year captures changes in usage which are reflected in the cost allocations to each
18 customer group.

19 A complete Cost of Service Study is not completed annually to recover changes in other costs
20 such as operating, depreciation and return and associated changes in cost responsibility.

21 Up to and including 2030, rate changes will be targeted according to the rate mitigation plan.
22 The Project Cost Recovery Rider will be used to achieve these targeted rate increases, meaning

¹ Assuming the question relates to allocation factors within the Cost of Service Study.

- 1 the total of other approved riders plus the Project Cost Recovery Rider will equal the targeted
- 2 rate increases.²

² Consistent with rate changes approved in the Board of Commissioners of Public Utilities Order Nos. P.U. 4(2024), P.U. 15(2024), P.U. 7(2025), P.U. 22(2025), P.U. 28(2025), P.U. 15(2026) and P.U. 17(2026).