

1 Q. **Reference: CA-NLH-109; CA-NLH-306; 2027 Cost of Service Study**

2 For each material Cost of Service methodology identified in CA-NLH-306 as reflecting the
3 transition to an interconnected system, please quantify the impact on 2027 allocated cost of
4 service for Newfoundland Power, Island Industrial Customers and Rural Island Interconnected
5 customers relative to the corresponding methodology used in the 2019 Test Year. Hold 2027
6 costs, loads and total rate mitigation constant and identify the comparator and any assumptions
7 needed. Show each material methodology change separately and, where practicable, the
8 combined impact.

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11 A. The principal changes between the 2019 and 2027 Test Years relate to Newfoundland and
12 Labrador Hydro's ("Hydro") power supply and system operations. In particular, the Muskrat Falls
13 Project entered service while the role and utilization of the Holyrood Thermal Generating
14 Station declined. The material changes in costs in the 2027 Test Year relate to Muskrat Falls
15 Project costs, which were not present in the 2019 Test Year. These developments changed the
16 source and composition of the costs recovered from customers but did not fundamentally
17 change the established process used to functionalize, classify, and allocate those costs.

18 Differences in allocated cost of service between the 2019 and 2027 Test Years are therefore
19 primarily attributable to changes in costs, system operations, customer loads, and allocation
20 factors, rather than to a broad change in cost of service methodology. Specific methodology
21 changes applied in the 2027 Cost of Service Study, including the rationale for those changes,
22 have already been identified and considered through Hydro's Cost of Service Methodology
23 Reviews.¹

¹ Cost of Service methodologies approved by the Board of Commissioners of Public Utilities ("Board") in Board Order Nos. P.U. 37(2019) and P.U. 14(2026).