

Q. **Reference: CA-NLH-117, Table 1**

CA-NLH-117, Table 1, reports an unmitigated revenue-to-cost ratio of 1.09 for Newfoundland Power, while the accompanying explanation states that rates would need to be redesigned to recover the higher unmitigated revenue requirement. Please identify the revenue and cost amounts underlying that ratio. Then calculate each customer class's ratio using revenues from Hydro's proposed rates and the unmitigated allocated cost of service, with no rate mitigation, and explain the differences from Table 1.

A. The revenue-to-cost ratio of 1.09 was calculated by dividing Newfoundland Power Inc.'s ("Newfoundland Power") projected unmitigated revenue of \$1,104,811,717 by the cost to serve of \$1,009,624,141.¹

Table 1 provides the revenue-to-cost ratio for each customer class using the proposed revenues, which were designed using a mitigated Cost of Service, to an unmitigated Cost of Service.

Table 1: Revenue-to-Cost Ratios using Mitigated Revenue and Unmitigated Costs

Customer Class	Mitigated Revenue ² (\$)	Unmitigated Cost of Service ³ (\$)	Revenue-to-Cost Ratio
Newfoundland Power	636,811,717	1,009,624,141	0.63
Island Industrial	42,815,529	77,084,808	0.56
Labrador Industrial	9,171,998	9,172,200	1.00
Rural Labrador Interconnected	22,231,036	20,039,020	1.11
Rural Island Interconnected	68,909,058	119,423,025	0.58
Island Isolated	1,717,949	10,404,402	0.17
Labrador Isolated	11,969,343	44,165,488	0.27
L'Anse-au-Loup	4,077,137	9,758,496	0.42

¹ "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, sch. G 1.2, p. 1.

² "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, sch. F 1.2, p. 1.

³ *Supra*, f.n. 1.

1 The revenue-to-cost ratios for Newfoundland Power and Island Industrial customers are
2 significantly lower than those reflected in either the mitigated or unmitigated Cost of Service
3 studies. Island Interconnected customer revenue is the same on both a mitigated and
4 unmitigated basis. However, the revenue to cost coverage for unmitigated Rural Island
5 Interconnected revenue is lower, at 0.58 compared to 0.79 on a mitigated basis, due to the
6 mismatch between higher unmitigated costs and customer rates that are designed to align with
7 Newfoundland Power's rates. This is because the revenues used in the mitigated Cost of Service
8 Study were designed to recover the revenue requirement associated with the mitigated cost
9 allocation. As a result, when those revenues are compared to an unmitigated cost allocation, the
10 resulting revenue-to-cost ratios decline.