

1 Q. **Reference: NP-NLH-110 and NP-NLH-113, Issue Topic: Long Term Supply Cost Variance Deferral**
2 **Account.**

3 Please confirm that the 2027 revenue deficiency will be funded by Hydro's internal sources. If
4 this cannot be confirmed, please explain including how Hydro intends to recover the balance.

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7 A. The 2027 Revenue Deficiency will not require funding from Newfoundland and Labrador Hydro's
8 ("Hydro") internal sources. The revenue associated with the deficiency resulting from the delay
9 in implementation of 2027 Test Year base rates will be collected through the Project Cost
10 Recovery Rider during the period January 1, 2027 to June 30, 2027.

11 As described in Chapter 6, Section 6.4.2 of Hydro's 2026 General Rate Application, for Utility and
12 Island Industrial customers, a portion of the revenue that would otherwise be recovered
13 through 2027 Test Year base rates will continue to be collected through the Project Cost
14 Recovery Rider until new base rates become effective on July 1, 2027. Consistent with current
15 regulatory accounting treatment, revenues collected through the Project Cost Recovery Rider
16 are recorded in Hydro's Supply Cost Variance Deferral Account ("SCVDA").

17 Current rates implemented on July 1, 2026 will not change or increase by 2.25% for Hydro's
18 costs until July 1, 2027. Accordingly, the revenues collected during the first six months of 2027
19 will accumulate in the SCVDA pending implementation of 2027 Test Year rates. In substance, the
20 revenue associated with the revenue deficiency will have already been collected from customers
21 through the Project Cost Recovery Rider effective July 1, 2026, and deferred in the SCVDA. As a
22 result, Hydro does not anticipate the need for alternative funding sources to address the 2027
23 Revenue Deficiency, nor will there be any additional recovery from customers beyond the
24 amounts already being collected through the Project Cost Recovery Rider for the period of
25 January 1, 2027 through June 30, 2027.

- 1 Hydro notes that any remaining balance in the Long-Term SCVDA at December 31, 2027 will be
- 2 settled using rate mitigation funding, which is forecast in the first quarter of 2028.