Q. **Reference: CA-NLH-044 c-f; 2026 GRA, 2027 Test Year Cost of Service Study**

Rate Mitigation and Class Cost Allocation: In response to CA-NLH-044, Hydro states that the rate mitigation credit is applied against overall revenue requirement and is not allocated to specific revenue requirement components, such as depreciation or return on rate base.

a) Please explain whether the rate mitigation credit is applied before or after the allocation of Hydro's revenue requirement among customer classes in its cost-of- service and rate-setting calculations.

b) Please identify the methodology used to allocate or assign the rate mitigation credit among customer classes, including whether the credit is allocated in proportion to class revenue requirements, assigned specifically to domestic customers, or treated on another basis. Please identify the applicable supporting calculations or COS schedules.

c) Please provide a table with the following: i) the allocated revenue requirement to each customer class; ii) the rate mitigation credit amount assigned to the class; and iii) the resulting net revenue requirement or revenue to be recovered through rates based on the 2027 Test Year COS assumptions underlying Hydro’s 2026 GRA. Please reconcile and briefly explain the class amounts to the total credit.

d) Please explain whether the application of the rate mitigation credit changes the relative revenue responsibility of customer classes compared with the results arising from the allocation of Hydro's underlying revenue requirement under its cost-of- service methodology. If so, please quantify the differences and explain the rationale for that treatment.

e) Please explain whether the application of the rate mitigation credit results in any change to the revenue recorded from individual customer classes, other than the direct benefit of the credit assigned to those classes. If yes, please explain the mechanism and quantify the resulting impacts by class.

A. The requested information relates to the allocation of revenue requirement and the application of rate mitigation credits among customer classes. These matters are addressed through Newfoundland and Labrador Hydro's ("Hydro") Cost of Service methodology and rate-setting processes and are more appropriately considered in Hydro's General Rate Application proceeding. The requested information is not necessary for a reasonable understanding of the proposed capital expenditures or for the determination of the need for and prudence of the projects included in the 2027 Capital Budget Application.