

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 14(2026)

1 **IN THE MATTER OF the Electrical Power**
2 **Control Act, 1994**, SNL 1994, Chapter E-5.1
3 (the “**EPCA**”) and the **Public Utilities Act**,
4 RSNL 1990, Chapter P-47 (the “**Act**”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application from
8 Newfoundland and Labrador Hydro for approval
9 of modifications to its Cost of Service Methodology.
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12 **Background**

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14 In Order No. P.U. 37(2019), the Board approved the recommendations of the parties as to the
15 cost of service methodology to be used by Hydro in the preparation of its next general rate
16 application (“**GRA**”) following the commissioning of the Muskrat Falls Project (“**2019 Settlement**
17 **Agreement**”). The **2019 Settlement Agreement** also identified additional cost of service
18 methodology issues to be addressed in Hydro’s next **GRA** including:

- 19
20 (i) demand related Conservation and Demand Management (“**CDM**”) costs;
21 (ii) contribution of customer classes to coincident peak;
22 (iii) cost tracking of specifically assigned assets;
23 (iv) methodology for the calculation of Newfoundland Power’s generation credit; and
24 (v) a deferral mechanism for variations of net export revenues.
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26 **Application**

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28 On August 22, 2025 Hydro filed an application to address the remaining cost of service
29 methodology issues (the “**Application**”) in advance of the filing of its **GRA**.¹ The **Application**
30 requested that the Board approve the following with respect to its cost of service methodology:²

¹ Hydro’s 2026 General Rate Application was filed with the Board on May 27, 2026.

² The **Application** noted that the deferral mechanism to account for variations from forecast net export revenues was addressed in Hydro’s July 2021 application for a new Supply Cost Variance Deferral Account.

- 1 (a) CDM program costs for the Labrador Interconnected System, including re-allocated
2 amounts, be functionalized as generation;
- 3 (b) the classification between demand and energy for the CDM program costs in Labrador
4 be based on system load factor;
- 5 (c) the portion of CDM program costs in Labrador classified as energy be added to the
6 production demand costs for recovery in the generation demand rate charged to the
7 Labrador Industrial customers;
- 8 (d) cost allocation for specifically assigned assets to utilize actual operating and
9 maintenance (“O&M”) costs, comprised of a Direct O&M Charge calculated as the six-
10 year average of actual O&M expenses recorded against each specifically assigned
11 asset, or estimated costs where historical costs are not available, and an Indirect O&M
12 Charge calculated as the ratio of total indirect transmission O&M to total direct
13 transmission O&M, derived from the Cost of Service Study;
- 14 (e) the implementation of a 64 MW Hydraulic Credit for Newfoundland Power, with the
15 process for determination of the thermal generation credit to remain unchanged;
- 16 (f) rate mitigation funding be functionalized as generation;
- 17 (g) the classification between demand and energy for rate mitigation funding shall be
18 based on the system load factor;
- 19 (h) transmission tariff revenue be functionalized as generation;
- 20 (i) the classification between demand and energy for transmission tariff revenue shall be
21 based on the system load factor;
- 22 (j) greenhouse gas credit revenue be functionalized as generation; and
- 23 (k) the classification between demand and energy for greenhouse gas credit revenue
24 shall be based on the system load factor.
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26 **Application Process**

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28 The Application was copied to Newfoundland Power Inc. (“Newfoundland Power”), the
29 Consumer Advocate,³ the Island Industrial Customer Group,⁴ the Labrador Interconnected
30 Group,⁵ Teck Resources Limited, Linde Canada Inc. and Iron Ore Company of Canada.⁶

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32 A technical conference was held on October 14, 2025. The parties executed a settlement
33 agreement on May 15, 2026 (“2026 Settlement Agreement”).

³ Ms. Adrienne Ding was appointed as interim Consumer Advocate on January 26, 2026, replacing Mr. Dennis Browne, KC.

⁴ The members of the Island Industrial Customer Group are Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited.

⁵ The members of the Labrador Interconnected Group are the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City.

⁶ Teck Resources Limited, Linde Canada Inc. and Iron Ore Company of Canada did not participate in the Application.

1 **2026 Settlement Agreement**

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3 The 2026 Settlement Agreement stated:

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5 The Parties jointly advise the Board that certain issues arising from the Application have been
6 settled by negotiations between them in accordance with this Settlement Agreement.⁷

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8 The 2026 Settlement Agreement also set out that the agreement represented a reasoned
9 consensus on the settled issues and recommended that the Board implement the agreement
10 regarding the settled issues in its Order on the Application.

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12 The 2026 Settlement Agreement also indicated that there were issues proposed in the
13 Application that were not settled by the parties. The generation credit provided to Newfoundland
14 Power and the continuation of the treatment of the Holyrood Thermal Generating Station were
15 deferred to the 2026 GRA.

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17 **Board Findings**

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19 The 2026 Settlement Agreement sets out the recommendations of the parties in response to
20 Hydro's cost of service methodology proposals. These recommendations were reached through
21 the negotiation of all the parties following the exchange of information between the parties and
22 extensive discussions. The Board notes that all the parties and the Board's regulatory consultant
23 signed the 2026 Settlement Agreement.

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25 The Board has reviewed the evidence filed in this proceeding and is satisfied that the
26 recommendations in the 2026 Settlement Agreement should be accepted as they represent a
27 reasoned consensus and compromise and the recommendations reflect an equitable balance
28 between the interests of Hydro and its customers as well as its classes of customers.

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31 **IT IS THEREFORE ORDERED:**

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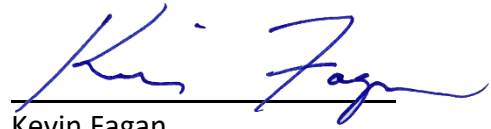
33 1. The cost of service methodology recommendations in the 2026 Settlement Agreement,
34 attached as Schedule A, are accepted.

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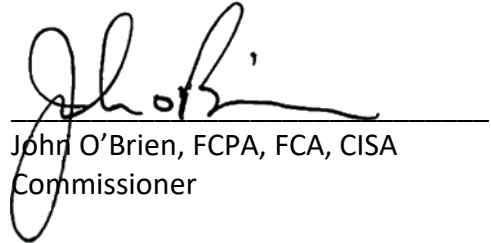
36 2. Hydro shall pay the expenses of the Board associated with this matter.

⁷ 2026 Settlement Agreement, May 15, 2026, page 2.

DATED at St. John's, Newfoundland and Labrador, this 2nd day of June, 2026.



Kevin Fagan
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Mike McNiven
Board Secretary

SETTLEMENT AGREEMENT

WHEREAS Newfoundland and Labrador Hydro (“Hydro”) filed its Cost of Service Methodology Review (“2018 COS Methodology Review”) with the Board of Commissioners of Public Utilities (“Board”) on November 15, 2018; and

WHEREAS On October 4, 2019, a Settlement Agreement was filed with the Board setting out the agreement of the parties to the application on all issues arising from the application which Settlement Agreement was approved by the Board in Board Order No. P.U. 37(2019); and

WHEREAS Board Order No. P.U. 37(2019), directed Hydro to file a number of reports and proposals regarding outstanding issues related to the Cost of Service in Hydro’s next General Rate Application (“GRA”); and

WHEREAS Hydro has applied to the Board for modifications to Hydro’s Cost of Service Methodology (“Application”); and

WHEREAS the Consumer Advocate; Newfoundland Power Inc. (“Newfoundland Power”); the Island Industrial Customer Group (“IIC Group”) comprised of Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) LP, and Vale Newfoundland and Labrador Limited; and the customers on the Labrador Interconnected System (“Labrador Interconnected Group”) are Intervenors on the Application; and

WHEREAS Hydro, the Consumer Advocate, Newfoundland Power, the Island Industrial Customer Group and the Labrador Interconnected Group (the “Parties”), with participation by the Board’s Regulatory Consultant, have engaged in negotiations regarding the proposed modifications to Hydro’s Cost of Service Methodology.

TERMS OF AGREEMENT

1. The Parties jointly advise the Board that certain issues arising from the Application have been settled by negotiations between them in accordance with this Settlement Agreement (the “Settled Issues”).
2. The Parties agree that the Settled Issues discussed herein do not amend or replace those issues approved in Board Order No. P.U. 37(2019).
3. The Parties recommend that the Board implement the agreement of the Parties regarding the Settled Issues in its Order.
4. The Parties consent to the admission on the record of this Application of all pre-filed testimony, exhibits and responses to requests for information pertaining to the Settled Issues. At any hearing

of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Settled Issues beyond that which is reasonably necessary to assist the Board's understanding, and to explain or clarify the Parties' agreement concerning the Settled Issues.

5. This Settlement Agreement represents a reasoned consensus on the Settled Issues and the agreements on individual issues are not intended to be severable.
6. This Settlement Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application or the 2026 GRA. It sets no precedent for any issue addressed in this Settlement Agreement in any other future proceeding or forum.

MATTERS AGREED UPON

7. The Parties agree that CDM program costs continue to be allocated on the Island Interconnected System using an energy allocator.
8. The Parties agree that if Conservation and Demand Management ("CDM") costs on the Island Interconnected System exceed the materiality threshold of \$1,000,000 per year Hydro will review the methodology in a future General Rate Application to determine if a change in allocation methodology is appropriate.
9. The Parties agree that CDM program costs for the Labrador Interconnected System, including re-allocated amounts, be functionalized as generation.
10. The Parties agree that the classification between demand and energy for the CDM program costs in Labrador be based on system load factor.
11. The Parties agree that cost allocation for specifically assigned assets will utilize actual operating and maintenance ("O&M") costs, comprised of a direct O&M Charge calculated as the six-year average of actual O&M expenses recorded against each specifically assigned asset, or estimated costs where historical costs are not available, and an indirect O&M Charge calculated as the ratio of total indirect transmission O&M to total direct transmission O&M, derived from the Cost of Service Study.
12. The Parties agree that it is appropriate to use the same coincident factors when calculating P50 and P90 system peaks and that no additional coincident factors are needed for the time of peak for both the Island Interconnected System and the Labrador Interconnected System.
13. The Parties agree that the coincident peaks to be used in Hydro's Cost of Service Study filed in Hydro's upcoming GRA should reflect the contribution of the different customer classes to the coincident peak used for planning purposes.

14. The Parties agree that Hydro will continue its investigations on the calculation of the relative share of coincident peak costs used in cost of service study allocations to determine whether use of a test year forecast peak appropriately captures the costs for reserve capacity driven by each class's load forecast uncertainty and weather sensitivity (particularly in light of ongoing growth in electrified space heating), or whether an adjustment to the allocation should be made to allocate added costs to classes which drive more weather-related load uncertainty and therefore more capacity investment on Hydro's system.
15. The Parties agree that rate mitigation funding will be functionalized as generation.
16. The Parties agree that that the classification between demand and energy for rate mitigation funding shall be based on the system load factor.
17. The Parties agree transmission tariff revenue shall be functionalized as generation.
18. The Parties agree that that the classification between demand and energy for transmission tariff revenue shall be based on the system load factor.
19. The Parties agree greenhouse gas credit revenue shall be functionalized as generation.
20. The Parties agree that that the classification between demand and energy for greenhouse gas credit revenue shall be based on the system load factor.
21. This Settlement Agreement removes the requirement for the experts retained by the Consumer Advocate, Newfoundland Power, the Island Industrial Customer Group and the Labrador Interconnected Group to appear before the Board regarding the issues identified herein, unless otherwise noted.
22. The Parties agree that this Settlement Agreement addresses certain issues raised in the Application and that legal counsel for the Consumer Advocate, Newfoundland Power, the Island Industrial Customer Group and the Labrador Interconnected Group are not required to appear before the Board regarding those issues.
23. The Parties agree that the issues that are deferred to Hydro's 2026 GRA for review are those listed in Section 3.0 of Schedule 1 to the Application that are not otherwise settled in this Settlement Agreement.
24. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement. Delivery of an executed counterpart by electronic transmission (including PDF or other electronic format) shall be equally effective as delivery of an originally executed counterpart.