Q. **Reference: Schedule 1, 2027 Capital Budget Overview, Section 6.9**

Hydro estimates that the capital programs and projects proposed in the 2027 CBA will increase regulated revenue requirement by approximately $7.6 million in 2027 and $12.1 million in 2028. Hydro notes that these amounts do not reflect reductions arising from asset retirements or potential changes in operating and maintenance costs.

a) Please provide a recalculation of the revenue requirement impact of the proposed 2027 CBA for 2027–2029 to include: i) depreciation associated with new assets; ii) return on rate base; iii) removal of replaced/retired assets from rate base; iv) changes in depreciation associated with retired assets; v) gains, losses or other accounting consequences of asset retirement; vi) increases or decreases in operating and maintenance costs; and vii) other material revenue requirement effects directly attributable to the proposed investments.

b) Please provide an estimate of the net incremental revenue requirement after recognizing reasonably identifiable offsets attributable to the proposed capital investment associated with the 2027 CBA for each of 2027–2029. As part of the response, please also provide an estimate of the amount ultimately attributable to residential customers.

c) Please provide the resulting residential customer impact, before Government rate mitigation, expressed as: i) percentage rate impact; and ii) annual bill impact for a average residential customer (consumption level).

d) Please explain why the gross revenue requirement impacts presented in the Application are an appropriate measure of customer impact where reductions associated with retirements and O&M changes are excluded.

A. **a)** Newfoundland and Labrador Hydro ("Hydro") provided the estimated impacts on revenue requirement in 2027 and 2028 to illustrate the relative magnitude of the proposed 2027 capital expenditures and their direct revenue requirement effect in isolation.

The estimates were developed as high-level illustrative calculations and were not intended to represent an exact forecast of future revenue requirement, customer rates, or customer bill impacts. The analysis does not include asset retirements, changes in depreciation associated with retired assets, gains or losses on asset retirement, operating and maintenance cost impacts, customer class allocations, rate design considerations, or other potential offsetting impacts.

The full impact of 2027 Capital Budget Application ("CBA") projects that are placed in service will be reflected in the test year revenue requirement filed in Hydro's next General Rate Application, at which time the impacts of capital additions, retirements, operating costs, cost allocation, and rate design will be considered as part of the overall determination of revenue requirement and rates.

Hydro believes that the information requested is not necessary for a satisfactory understanding of the proposals contained in the 2027 CBA. The information in Section 6.9 provides a reasonable estimate of the rate impacts associated with the proposed 2027 CBA without getting into a more time-consuming exercise which may only slightly improve the estimate.

b) Refer to part a).

c) Refer to part a). Hydro also notes that residential rates for customers served by Newfoundland Power Inc. ("Newfoundland Power") are determined through Newfoundland Power's regulatory proceedings and approved by the Board of Commissioners of Public Utilities. At a high level, a 1.3% increase in the wholesale rate will result in approximately 1.0%[1] at the retail level for Newfoundland Power's customers.

d) The gross revenue requirement impacts were presented to provide a simple, high-level indication of the approximate scale of the proposed capital expenditures and their direct revenue requirement effect in isolation. Hydro believes this provides useful contextual information regarding the relative magnitude of the proposed investments without valuing future asset retirements and assumptions regarding operating and maintenance

[1] Assuming a flow through rate of approximately 78%.

cost impacts, customer class allocations, and other factors that would ultimately be considered in determining future revenue requirements and rates.