Q. **Reference: Schedule 1, 2027 Capital Budget Overview, Executive Summary and Conclusion**

Hydro states that customer impacts from increased capital expenditures will be limited by Government's rate mitigation plan, under which domestic rate increases attributable to Hydro's costs are targeted to 2.25% annually through 2030.

a) Please explain whether and to what extent Government rate mitigation influenced Hydro's determination of: i) the size of the 2027 capital budget; ii) the timing of individual capital expenditures; iii) project deferral or advancement; and iv) Hydro's assessment of customer affordability.

b) Please confirm whether Hydro would recommend the same 2027 capital portfolio if the rate mitigation framework were not in place. If not, please explain why not and identify the expenditures that would change.

c) Please quantify the underlying revenue requirement attributable to the 2027 CBA that Hydro forecasts will not be reflected in domestic customer rates through 2030 because of rate mitigation.

d) Please explain how and when the costs identified in (c) are ultimately expected to be recovered or funded.

e) Please identify who ultimately bears the economic cost identified in (c).

f) Please quantify, by year from 2027–2030, the capital-related revenue requirement that would otherwise be recovered from domestic customers but is not reflected in domestic customer rates resulting from rate mitigation and identify the subsequent accounting and recovery treatment of those amounts.

A. **a)** Refer to part a) of Newfoundland and Labrador Hydro's ("Hydro") response to CA-NLH-038 of this proceeding.

b) Refer to part a) of Hydro's response to CA-NLH-038 of this proceeding.

c) Rate mitigation is a credit to Hydro's overall revenue requirement and is calculated as an overall amount required to target annual domestic rate increases of 2.25%. It is not allocated to specific revenue requirement components such as depreciation, return on rate base, etc. and therefore Hydro is unable to provide the requested information.

d) Refer to part c).

e) Refer to part c). As per the rate mitigation plan announced in May 2024, rate mitigation is funded through funding received from the Government of Canada convertible debenture with the remaining funded through Hydro's internal sources.

f) Refer to part c).