Q. **Reference: GRA, Vol. I, page 201 pdf**

Citation:

6.8.3 Labrador Interconnected System

The average rate increase for rural Labrador Interconnected customers based on the 2027 Cost of Service Study is 8.54%. Government has advised that it supports a rate smoothing approach by Hydro to ease cost-of living pressures for customers. In particular Government supports the phase-in of the proposed rate increase for Rural Labrador Interconnected customers at an average increase per rate class of 2.25% per year over four years, with the first rate increase effective July 1, 2027 for all Hydro Rural classes on the Labrador Interconnected System with the exception of Street and Area Lighting. Hydro has outlined the proposed average customer rates calculated based on a 2.25% increase over four years starting in 2027 in Schedule E-III, with the first increase proposed herein to be implemented on July 1, 2027. Subsequent increases will be proposed annually for approval by the Board to be effective July 1 each year. At the end of the four years, Hydro is projecting a residual revenue deficiency of approximately $3.3 million and proposes that this residual revenue deficiency be addressed as part of Hydro's next GRA, or in a separate application at that time. Table 6-10 outlines the projected revenue deficiency in each year associated with the 2.25% phase in, along with the cumulative residual revenue deficiency at the end of the four years.

Table 6-10: Projected Revenue Deficiency – Labrador Rural Interconnected Phase In ($ Millions)

Year	Revenue Deficiency
2027	1.5
2028	1.1
2029	0.6
2030	0.1
Cumulative Revenue Deficiency	**3.3**

a) Is the rate increase of 8.54% based on the Cost of Service Study identical for each rate class? If so, please explain why. If not, please provide the increase for each class, with detailed calculations showing test year revenue requirement and projected revenues at current rates for each.

b) Please present the detailed calculations in support of the Revenue Deficiencies shown in Table 6-10, showing for each rate class: the billing determinants for each test year, revenues under existing and proposed rates, and the revenue deficiency.

A. **a)** Yes, the proposed 8.54% rate increase was applied uniformly across all Labrador Interconnected rate classes. The exception is Street Lighting, for which the Cost of Service resulted in only minor rate adjustments. As shown in Table 1the projected revenue for each rate class under the proposed rates reflects an increase of approximately 8.54% relative to existing rates, with the aggregate increase for all non-street-lighting classes equal to 8.54%

Table 1: Labrador Interconnected Revenue by Rate Class – Existing Rates vs Proposed for the 2027 Test Year

Rate Class	Existing Revenue ($)	Proposed Revenue ($)	Increase (%)
Domestic	10,954,067	11,888,828	8.53
General Service 2.1	278,244	302,000	8.54
General Service 2.2	2,292,562	2,488,873	8.56
General Service 2.3	3,919,730	4,253,734	8.52
General Service 2.4	2,675,372	2,903,100	8.51
Sub-Total	**20,119,975**	**21,836,535**	**8.54**
Street Light Revenue	392,814	392,377	-
Total Revenue	**20,512,789**	**22,228,912**[1]	**8.36**

b) Please refer to LAB-NLH-012, Attachment 1, provided in Excel format, for the detailed calculations in support of the revenue deficiencies shown in Chapter 6, Table 6-10 of Newfoundland and Labrador Hydro’s 2026 General Rate Application (“GRA”). LAB-NLH-012, Attachment 1 provides the monthly revenue forecast using the monthly 2027 Test Year billing determinants. In each tab, the determinants are applied against existing rates, Cost of

[1] Slight variation between Cost of Service revenue displayed and the 22,230,020 in Schedule F 1.2 of Hydro’s 2026 General Rate Application and LAB-NLH-012, Attachment 1, due to rounding.

Service 8.54% rates, and proposed 2.25% rates. The deficiency tab provides a breakdown of how the values in Table 6-10 were calculated.

LAB-NLH-012, Attachment 1 contains five tabs. The contents of each tab are summarized below.

- **i.** A summary of the annual Labrador Interconnected Deficiencies.
- **ii.** A detailed breakdown of the actual monthly revenue collected in 2027, with existing rates from January 1, 2027 to June 30, 2027 and 2.25% Rates from July 1, 2027 to December 31, 2027. This file also contains calculations that project the revenue to 2030.
- **iii.** A detailed breakdown of the forecasted monthly revenue with the proposed 8.54% Cost of Service rates.
- **iv.** A detailed breakdown of the forecasted monthly revenue with the existing rates.
- **v.** A detailed breakdown of the forecasted monthly revenue with the proposed 2.25% rates.