Q. **Reference: GRA, Vol. I, page 255 pdf**

Citation:

Schedule F 1.2
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NEWFOUNDLAND AND LABRADOR HYDRO
2027 Test Year Cost of Service Study
Labrador Interconnected
Comparison of Revenue & Allocated Revenue Requirement

	1	2	3	4	5	6	7
Line No.	Rate Class	Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue Credit	Deficit Allocation	Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5)	Revenue to Cost Coverage (Col.2/3)
		($)	($)	($)	($)	($)	
	Labrador Interconnected						
1	Labrador Industrial Firm	9,171,998	9,172,200		-	9,172,200	1.00
2	Labrador Industrial Non-Firm	-	-		-	-	-
3	**Subtotal Industrial**	**9,171,998**	**9,172,200**	**-**	**-**	**9,172,200**	
4	CFB - Goose Bay Secondary	-	-	-	-	-	-
	Rural						
5	1.1 Domestic	106,057	206,448	-	22,577.87	229,025	0.46
6	1.1A Domestic All Electric	11,783,491	12,172,687	-	1,331,250	13,503,937	0.87
7	2.1 General Service 0-10 kW	302,008	302,668	-	33,101	335,769	0.90
8	2.2 General Service 10-100 kW	2,488,347	1,963,429	-	214,728	2,178,157	1.14
9	2.3 General Service 110-1,000 kVa	4,254,476	2,864,082	-	313,226	3,177,308	1.34
10	2.4 General Service Over 1,000 kVa	2,903,849	2,090,121	-	228,583	2,318,705	1.25
11	4.1 Street and Area Lighting	392,808	439,585	-	48,075	487,659	0.81
12	**Subtotal Rural**	**22,231,036**	**20,039,020**	**-**	**2,191,541**	**22,230,560**	
13	**Total Labrador Interconnected**	**31,403,034**	**29,211,220**	**-**	**2,191,541**	**31,402,760**	

a) Please confirm whether the "Revenues" column in Schedule F 1.2 (Page 6 of 6, column 2) reflects: (i) 2027 Test Year forecast billing determinants priced at rates in effect as of the date of filing; (ii) 2027 Test Year forecast billing determinants priced at the rates proposed in the GRA; or (iii) some other basis, identifying the specific rate schedule and effective date used.

b) Please provide "Revenues" by rate class reflecting 2027 Test Year forecast billing determinants priced at rates in effect as of the date of filing.

c) Please reconcile the requested average rate increase of 8.54% with the near identity between LIS revenues (col. 2) and revenue requirement after allocations (col. 6).

d) Please explain the large variation in revenue to cost coverage (column 7), ranging from 0.46 for “1.1 Domestic” up to 1.34 for “2.3 General Service”.

A. **a)** The "Revenues" column in Schedule F 1.2 (Page 6 of 6, Column 2) of Newfoundland and Labrador Hydro's 2026 General Rate Application ("GRA") reflects the forecast billing determinants of the 2027 Test Year and does not reflect the rates in effect as of the filing date. The revenues shown in the schedule are based on the Cost of Service rates which are designed to recover the $22,230,560 revenue requirement shown in column 6. These rates represent an 8.54% increase over existing rates.

Schedule F-1.2 (Page 6 of 6) therefore illustrates the level of revenue required to satisfy the Labrador Interconnected System's revenue requirement, but it does not reflect the rate increase proposed to take effect on July 1, 2027. The July 1, 2027 proposed increase of 2.25% will collect revenues below the Cost of Service, resulting in a revenue deficiency.

b) The revenues by rate class reflecting the existing, proposed GRA, and proposed 2.25% rate increase applied to 2027 billing determinants are provided in Table 1.

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

Rate Class	Existing Revenue ($)	Cost of Service Proposed Revenue ($)	Increase Compared to Existing (%)	July 1, 2027 Proposed	Increase Compared to Existing (%)
Domestic	10,954,067	11,888,828	8.53	11,200,078	2.25
General Service 2.1	278,244	302,000	8.54	284,474	2.24
General Service 2.2	2,292,562	2,488,873	8.56	2,343,946	2.24
General Service 2.3	3,919,730	4,253,734	8.52	4,008,210	2.26
General Service 2.4	2,675,372	2,903,100	8.51	2,734,914	2.23
Sub-Total	**20,119,975**	**21,836,535**	**8.54**	**20,571,625**	**2.25**
Street Light Revenue	392,813.64	392,377	-	392,377	-
Total Revenue	**20,512,789**	**22,228,912**[1]	**8.36**	**20,964,002**	**2.25**

c) The revenue in Column 6 in Schedule F 1.2 represents the revenue requirement of the Labrador Interconnected System. The revenue in Column 1 reflects revenue calculated using

[1] Slight variation between the Cost of Service revenue displayed and the 22,230,560 in Schedule F 1.2 is due to rounding.

the 2027 billing determinants and rates designed to collect an additional 8.54% in revenue; these amounts match.[2]

d) The large variation in revenue to cost coverage (column 7) is the result of the Labrador Interconnect System's allocation of the Rural Deficit. As stated in Chapter 2, Section 2.3.4 of Hydro's 2026 GRA:

> Hydro provides electrical service to approximately 27,900 Rural customers on its Interconnected and Isolated Diesel systems, to which rates charged to not reflect the full cost of service, consistent with Government Direction. The shortfall between the cost of serving these customers and the revenue collected is referred to as the "Rural Deficit."[3]

Hydro's 2026 GRA is proposing to allocate 96.6% of the deficit to Newfoundland Power Inc. and 3.4% for Rural Interconnected customers.[4] As shown on Schedule F 1.2, Page 1 of 6, the Revenue to Cost coverage for the Labrador Interconnected System is 1.11. However, the coverage ratio varies among the individual rate classes. The proposed rates for Labrador were designed to be a uniform increase across all customer classes, as shown in Table 1, and were not designed to achieve targeted revenue to cost ratios.

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[2] Slight difference due to rounding in rate calculations.
[3] "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, ch. 2, sec. 2.3.4, p. 2.36/8–11.
[4] "2026 General Rate Application," Newfoundland and Labrador Hydro, May 27, 2026, vol. I, sch. F 1.2.1.