Q. **Reference: Volume I, Section 5.7.2, Table 5-13 and Footnote 90; Section 6.2, page 6.3, Item 4**

The classification of the Muskrat Falls PPA, LIL, and LTA costs, net export revenues, rate mitigation funding, transmission tariff revenue, and other components is based on system load factor, stated as 50% for the 2027 Test Year.

a) Provide the calculation of the 2027TY system load factor, including the peak demand and energy values used, and state its unrounded value.

b) Confirm whether the Cost of Service applies the computed system load factor or a rounded 50%, and quantify the class impact of any difference.

c) Provide the sensitivity of class revenue requirements to a change of plus or minus two percentage points in system load factor, given that this single parameter governs the classification of the largest cost items in the study.

d) Discuss the expected stability of system load factor between test years.

A. **a)** Please refer to Schedule F 4.2 of the 2027 Cost of Service Study provided as Schedule F of Newfoundland and Labrador Hydro's 2026 General Rate Application for the 2027 Test Year System Load Factor calculation for the Island Interconnected System.

b) It is confirmed that the Cost of Service applies the computed system load of 50.29% and not a rounded 50%.

c) Table 1 presents the sensitivity of class revenue requirements to a change of plus or minus two percentage points in system load factor on the Island Interconnected System.[1]

[1] This sensitivity analysis does not adjust for rate mitigation. A change in System Load Factor would affect the costs allocated to Newfoundland Power Inc. ("Newfoundland Power") and, consequently, the amount of rate mitigation required. Therefore, the rate mitigation adjustment would need to be recalculated to maintain total rate mitigation of $636,815,801 and achieve the targeted average customer rate increase of 2.25%. However, for demonstration purposes, rate mitigation has not been recalculated, as the impact of this sensitivity is immaterial. Recalculating the rate mitigation adjustment would also obscure the direct impact of the sensitivity by introducing an additional offsetting variable.

Table 1: Island Interconnected System Load Factor Sensitivity[2]

Customer Class	Cost of Service Before Deficit at 50.29% ($)	Cost of Service Before Deficit at 52.29% ($)	Cost of Service Before Deficit at 48.29% ($)	52.29% Sensitivity ($)	48.29% Sensitivity ($)
Newfoundland Power	574,037,014	573,754,505	574,319,523	-282,509	+282,509
Island Industrial	42,815,548	43,081,318	42,549,777	+265,770	-265,770
Island Interconnected	87,315,429	87,332,167	87,298,691	+16,738	-16,735
Total	**704,167,991**	**704,167,991**	**704,167,991**	**-**	**-**

d) The System Load Factor in the 2019 Cost of Service Study was 54.34%, 4.05 percentage points higher than the 2027 proposed System Load Factor (50.29%). Please refer to Table 1 showing the sensitivity of changes to the System Load Factor. A System Load Factor of 54.34% would decrease the cost to serve Newfoundland Power by $572,080, or 0.1%.[3] The system load factor has remained relatively stable over an eight-year period, with changes primarily reflecting forecasted increased peak loads.

[2] Numbers may not add due to rounding.
[3] 0.1% calculated as the decrease in Newfoundland Power's Cost of Service ($572,080), divided by Newfoundland Power's proposed Cost of Service ($574,037,014).