Q. **Reference: Volume I, Sections 5.2.7 and 6.4.1; Schedule F 1.1, line 12; and Schedule G**

Rate mitigation of $501,963,983 is reflected in the 2027TY Cost of Service as a reduction to Island Interconnected System costs.

a) Provide the allocation of total rate mitigation among Newfoundland Power, Island Industrial, and Rural Island Interconnected customers, in dollars and as a percentage of each class's unmitigated cost of service.

b) Provide a side-by-side comparison of class revenue requirements and revenue-to-cost coverage ratios under Schedule F (with mitigation) and Schedule G (without mitigation).

c) Describe the consequences for class rates and for the LT SCVDA if actual rate mitigation funding differs from the level assumed in the test year.

A. **a)** The allocation of total rate mitigation among Newfoundland Power Inc., Island Industrial, and Rural Island Interconnected customers, in dollars and as a percentage of each class's unmitigated cost of service, is presented in Table 1.

Table 1: Rate Mitigation as Percentage of Class Unmitigated Revenue Requirement[1]

Rate Class	Cost of Service Before Deficit and Revenue Credit Allocation	Rate Mitigation	
	($)	($)	% of Class
Newfoundland Power Inc.	1,009,624,141	435,587,127	43.1
Island Industrial	77,084,808	34,269,260	44.5
Island Interconnected	119,423,025	32,107,596	26.9
Total	**1,206,131,974**	**501,963,984**	

[1] Numbers may not add due to rounding.

b) A side-by-side comparison of class revenue requirements and revenue-to-cost coverage ratios under Schedule F (with mitigation) and Schedule G (without mitigation) of Newfoundland and Labrador Hydro's 2026 General Rate Application is presented in Table 2.

Table 2: Class Revenue Requirements and Revenue-to-Cost Coverage Ratios (With and Without Mitigation)

	With Mitigation			Without Mitigation		
Rate Class	Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue to Cost Coverage	Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue to Cost Coverage
	($)	($)		($)	($)	
Total System						
Newfoundland Power Inc.	636,811,717	574,037,014	1.11	1,104,811,717	1,009,624,141	1.09
Island Industrial	42,815,529	42,815,548	1.00	77,081,467	77,084,808	1.00
Labrador Industrial	9,171,998	9,172,200	1.00	9,171,998	9,172,200	1.00
Rural Labrador Interconnected	22,231,036	20,039,020	1.11	21,931,248	20,039,020	1.09
Rural Deficit Areas						
Island Interconnected	68,909,058	87,315,429	0.79	68,909,058	119,423,025	0.58
Island Isolated	1,717,949	10,404,402	0.17	1,717,949	10,404,402	0.17
Labrador Isolated	11,969,343	44,165,488	0.27	11,969,343	44,165,488	0.27
L'Anse-au-Loup	4,077,137	9,758,496	0.42	4,077,137	9,758,496	0.42
Subtotal	86,673,487	151,643,815	0.57	86,673,487	183,751,411	0.47
Total	**797,703,766**	**797,707,596**	1.00	**1,299,669,917**	**1,299,671,580**	1.00

c) Actual rate mitigation funding, which is lower than the test year, results in a balance owing from customers in the Long-Term Supply Cost Variance Deferral Account ("SCVDA") while actual rate mitigation, which is higher than the test year, results in a balance owing to customers in the Long-Term SCVDA. The impact on class rates will be zero during that year, all things being equal, since customer rates are set to target a defined increase.