

1 **Q. (Application Volume 1, Table 4-1) Table 4-1 shows the proposed revenue**
2 **requirement for 2022 and 2023. Describe the demand and supply scenario upon**
3 **which these calculations are based and explain how this scenario accurately**
4 **portrays NP’s understanding of the demand and supply scenario in the Province’s**
5 **electricity sector in those years.**

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7 A. Power supply costs included in Newfoundland Power’s 2022 and 2023 revenue
8 requirements are based on the Company’s *Customer, Energy and Demand Forecast* and
9 the current Utility rate charged by Newfoundland and Labrador Hydro (“Hydro”) to the
10 Company.¹

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12 While commissioning of the Muskrat Falls Project is expected in the near-term, it is not
13 certain how its commissioning will affect the Company’s power supply costs.² For
14 example, the level of Muskrat Falls Project costs to be recovered in customer rates is
15 currently subject to government policy decisions.³ Future power supply costs, wholesale
16 rate structures and cost of service allocations resulting from the Muskrat Falls Project are
17 also subject to a final order on Hydro’s next general rate application (“GRA”).⁴ Hydro
18 anticipates that its next GRA will not likely conclude before 2023.⁵

19
20 Similar to past practice, Newfoundland Power will file a separate application to “flow
21 through” any change in power supply costs resulting from the recovery of Muskrat Falls
22 Project costs or Hydro’s next GRA. The Board has approved previous flow-through
23 applications of Newfoundland Power in similar circumstances. See, as examples, Order
24 Nos. P.U. 7 (1990), P.U. 22 (2002-2003), P.U. 19 (2004) (Amended), P.U. 42 (2006),
25 P.U. 18 (2015), P.U. 23 (2017), P.U. 20 (2018) and P.U. 31 (2019).

¹ For the Company’s forecast customer, energy and demand requirements, see the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 3, Customer, Energy and Demand Forecast*. The Utility rate was approved by the Board in Order No. P.U. 30 (2019).

² According to Hydro’s latest *Labrador-Island Link Monthly Update*, the overall Muskrat Falls Project completion date is November 26, 2021. Further, the Board’s ongoing *Reliability and Resource Adequacy Study Review* will consider the adequacy of bulk electricity supply on the Island Interconnected System, including whether additional resources will be required to reliably serve Newfoundland Power’s customers.

³ On July 28, 2021, the governments of Canada and Newfoundland and Labrador announced an agreement in principle for the financial restructuring of the Muskrat Falls Project. The outcome of this agreement in principle will affect the extent of Muskrat Falls Project costs that will be recovered from Newfoundland Power’s customers.

⁴ Hydro is required to file a GRA once Muskrat Falls Project costs and rate mitigation are known to establish a new Utility rate. In Order No. P.U. 15 (2020), the Board approved Hydro’s request to delay the filing of its GRA as Hydro lacked critical information needed to develop proposed customer rates. The Board directed Hydro to file quarterly updates with respect to the filing of its next GRA beginning on September 30, 2020. In Hydro’s June 30, 2021 update, Hydro indicated that it is still awaiting information on the financial restructuring of the Muskrat Falls Purchase Power Agreement and the completion of government’s rate mitigation plan and therefore did not have adequate information to file a fully informed GRA.

⁵ See Hydro’s *Supply Cost Accounting Application*, July 29, 2021, paragraph 34.