

1 Q. **Reference: Schedule 1**

2 It is stated (page 12) *“Although the proposed changes in this application will not have any*
3 *impact on customer rates on January 1, 2025, updating the marginal cost of energy to reflect the*
4 *value of exports will reduce the power purchase cost to Newfoundland Power for energy*
5 *purchased in excess of 2019 Test Year quantities, reducing the additional costs to be recovered*
6 *through Newfoundland Power’s July 1 customer rate applications. The reduction in the marginal*
7 *cost of energy and therefore the second block rate will create a benefit for customers through a*
8 *reduction in the potential volatility associated with the July 1 customer rate change.”*

9 a) Will the change in the wholesale rate proposed for January 1, 2025 not result in a change to
10 NP’s retail rates on January 1, 2025 because NP proposes to delay re-basing retail rates until
11 July 1, 2025?

12 b) Please confirm that the analyses in the Application assume that NP will not adjust the tail-
13 block energy charges in its retail customer rates to reflect marginal costs.

14 c) Is rate volatility reduced because NP is forecasting power purchases that are above the
15 forecast included in the 2019 Test Year, so under the proposed wholesale rate, NP will be
16 subject to reduced power purchase costs on purchases above the 2019 Test Year forecast
17 while revenues from increased sales to its retail customers would remain the same whether
18 or not the wholesale rate is changed?

19 d) Would rate volatility associated with the July 1 adjustments for the most part be eliminated
20 if NP had tail-block energy charges in its retail customer rates that were set equal to the
21 wholesale second-block rate?

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24 A. a) The change in the wholesale rate proposed for January 1, 2025, will not result in a change to
25 Newfoundland Power Inc.’s. (“Newfoundland Power”) retail rates on January 1, 2025,
26 because rate changes arising from Newfoundland Power’s 2025–2026 General Rate
27 Application, including the impacts of rebasing, are proposed to be implemented on
28 July 1, 2025.

29 b) The assumption is not applicable to Newfoundland and Labrador Hydro’s application.

- 1 **c)** Rate volatility associated with Newfoundland Power’s July 1 rate adjustments is reduced
2 under the proposed wholesale rate as Newfoundland Power will be subject to reduced
3 power purchase costs on purchases above the 2019 Test Year forecast. Revenue would
4 remain the same under both scenarios but the balance to be recovered from customers in
5 the Energy Supply Cost Variance Account will be lower.
- 6 **d)** This question is more suitable for Newfoundland Power Inc. (“Newfoundland Power”) to
7 address in its 2024 Wholesale Rate Flow-Through Application proceeding. Please refer to
8 Newfoundland Power’s response to Request for Information CA-NP-002 scheduled to be
9 filed with the Board of Commissioners of Public Utilities on October 16, 2024.