

1 Q. Given the length of time and change in system conditions since it was set, please indicate why
2 establishing the new rate to be revenue neutral to the 2019 Test Year revenue requirement is
3 appropriate. Please specifically address the downside that would arise if instead the new rate
4 were developed to be revenue neutral at the 2025 forecast wholesale loads.

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7 A. Newfoundland and Labrador Hydro (“Hydro”) rates are currently designed to collect the 2019
8 Test Year revenue requirement approved in Hydro’s 2017 General Rate Application (“GRA”).¹ A
9 new test year ought to be implemented through a GRA proceeding; in Hydro’s view, until a new
10 test year is proposed and approved, rates should be designed to collect revenue based on the
11 most recently approved test year. Currently, variances in energy sales from the test year
12 forecast for Newfoundland Power Inc. are transferred to Hydro’s Supply Cost Variance Deferral
13 Account, where they will remain until an application is made to the Board of Commissioners of
14 Public Utilities requesting a method of disbursement.

15 Designing new rates to collect revenue based on a new load forecast would change production
16 costs in the 2019 Test Year revenue requirement and would cause changes to how Hydro should
17 allocate 2019 Test Year costs between Utility, Industrial and Rural customer classes. Again, it is
18 Hydro’s view that such significant changes should not be made until a GRA takes place.

19 The purpose of this application was to implement a new second block rate that better reflects
20 Hydro’s marginal cost of energy, which has changed since the commissioning of Muskrat Falls
21 Hydroelectric Generating Station and the Labrador-Island Link, while maintaining the underlying
22 revenue requirement that rates were currently designed to collect.

¹ Board Order No. P.U. 16(2019).