

1 Q. If the effect of the revision is that Hydro will see no new revenue (e.g., net income) from the  
2 rate revision, and Newfoundland Power customers will face lower overall costs (per Schedule 1,  
3 Table 9), please confirm that this means, all else being equal, July 1, 2025 rates for  
4 Newfoundland Power customers will be lower with the Hydro proposal than they would have  
5 been without the proposal. If confirmed, please discuss how this accords with the discussion in  
6 Schedule 1, Section 2.7, that the Rate Mitigation Plan will achieve precisely 2.25% in annual  
7 increases. Is it accurate that under both the existing rate (were it retained) and the proposal  
8 rate (if adopted) Newfoundland Power customers will see 2.25% in rate changes at July 1, 2025?

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11 A. Variances in Newfoundland Power Inc.'s ("Newfoundland Power") actual power purchases from  
12 Newfoundland and Labrador Hydro ("Hydro") from those that are incorporated into customer  
13 rates are recovered through Newfoundland Power's Rate Stabilization Account ("RSA"). The  
14 balance of Newfoundland Power's RSA as at March 31 is incorporated into its July 1 customer  
15 rate adjustments on an annual basis. Also incorporated into Newfoundland Power's July 1  
16 annual rate adjustments are rate increases proposed by Hydro through its July 1 Utility Rate  
17 Adjustment applications.

18 In recent years, Newfoundland Power has had to purchase additional energy from Hydro as a  
19 result of higher customer load than anticipated. This additional energy is priced at the second  
20 block energy rate, currently set at 18.165¢ per kWh. The lower overall costs to customers  
21 resulting from this proposed change in the wholesale rate are driven by the lower marginal cost  
22 reflected in the second block energy price which, when applied to additional energy  
23 requirements, results in lower costs for customers.

24 Newfoundland Power's July 1, 2025 rate adjustment will propose to incorporate its RSA balance  
25 as at March 31, 2025. Given the proposed effective date of the revised wholesale rate is  
26 January 1, 2025, the impact of this change on customer rates for July 1, 2025 is limited, the  
27 primary impact is on Newfoundland Power's March 31, 2026, RSA balance and therefore the  
28 July 1, 2026 rate adjustment. As noted in Section 2.5 of Hydro's Proposed Application for

1           Adjustment to Wholesale Utility Rate, the update to the wholesale rate is estimated to avoid a  
2           2.9% rate increase on July 1, 2026, all else being equal.

3           As noted in Schedule 1, Section 2.7, the Government of Newfoundland and Labrador's rate  
4           mitigation plan targets domestic customer rate increases attributable to Hydro's costs at 2.25%.  
5           It is important to note that this rate increase applies to Hydro's costs only, and not to costs  
6           incurred by Newfoundland Power to serve its customers. Said another way, the costs  
7           Newfoundland Power incurs to serve its customers, including those in its RSA account, are not  
8           covered by this 2.25% target rate increase and the recovery of such costs are applied for  
9           separately by Newfoundland Power. Therefore, it is not accurate that under both the existing  
10          rate (if retained) and the proposal rate (if adopted) Newfoundland Power customers will be  
11          limited to a 2.25% rate increase on July 1, 2025. Newfoundland Power customers will see a  
12          proposed 2.25% increase related to Hydro's costs plus a proposed rate adjustment to recover  
13          Newfoundland Power's costs, both of which are subject to approval by the Board of  
14          Commissioners of Public Utilities.