

1 Q. If the proposed rate adjustment is approved, will Hydro consider that there is less urgency or
2 less need for the filing of its next GRA as early as possible? What other needed changes would
3 dictate or heavily favour the need for the next GRA to be filed in 2025?

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6 A. Newfoundland and Labrador Hydro (“Hydro”) does not believe an approval of the proposed rate
7 adjustment will have any impact on the timing of its next general rate application (“GRA”), and
8 continues to plan for the filing of its next GRA as early as possible.

9 Updating the marginal cost reflected in the utility rate would have been just one of the issues to
10 be addressed in the next GRA. The other major considerations impacting the need for the next
11 GRA to be filed in 2025, include, but are not limited to:

12 **i.** Updating Hydro’s Costs

13 The rates currently in effect were implemented on October 1, 2019, based on a 2019
14 Cost of Service. In 2023, Hydro’s rate of return on average rate base was 5.02%, which
15 was below the approved range of 5.23% to 5.63%. The rate of return on regulated
16 equity was 6.26%, below the 8.50% approved in the 2019 Test Year. In addition, Hydro’s
17 costs have not been reviewed by the Board of Commissioners of Public Utilities
18 (“Board”) since its last GRA; therefore, filing a GRA would allow for Hydro’s costs to be
19 reviewed and tested for prudence in a transparent manner.

20 **ii.** Updating Customer Rates

21 On May 16, 2024, the Government of Newfoundland and Labrador announced the
22 finalization of the rate mitigation plan with Hydro. The plan, applying only to Island
23 Interconnected System customers from whom the costs of the project are being
24 recovered, came into effect on August 1, 2024 and, targeted the domestic rate increases
25 attributable to Hydro’s costs at 2.25% annually up to and including 2030. The rate
26 increases for other customers subject to Island Interconnected System rates will be
27 structured in a manner compatible with this target increase.

1 While the rate mitigation plan directs the rate to be charged to customers on the Island
2 Interconnected System, and indirectly rates on the Isolated Systems that are based on
3 the rate charged by Newfoundland Power Inc. (“Newfoundland Power”), the rates for
4 customers on the Labrador Interconnected System will be based on the Cost of Service
5 filed in the next GRA.

6 **iii.** Rate Design Issues

7 On September 30, 2019, Hydro filed a Wholesale and Island Industrial Rate Design
8 Review Update Report with the Board.¹ The report proposed a change to the second
9 block rate for Newfoundland Power to reflect export value and also proposed a two
10 block energy charge for Island Industrial Customers after the commissioning of the
11 Muskrat Falls Project.

12 If the current application is approved, the change to the second block rate for
13 Newfoundland Power to reflect export value will be implemented. Any change to the
14 Island Industrial rate will be proposed in the GRA. In addition, further review and any
15 resulting update to the wholesale rate, including the billing demand charge, will be
16 proposed in the GRA. The GRA will also address any rate design issues resulting from
17 incorporating Muskrat Falls Project costs and rate mitigation into Island Interconnected
18 rates.

¹ “Wholesale and Island Industrial Rate Design Review Update Report,” Newfoundland and Labrador Hydro, September 30, 2019.