

- 1 **Q. With respect to a 19.3% rate increase over a calendar year:**
 2 **a) Would a rate increase of this magnitude qualify as rate shock?**
 3 **b) How does Newfoundland Power define rate shock and when action is justified to**
 4 **mitigate the rate increase?**
 5 **c) With such a rate increase, would not the dampening effect on demand make**
 6 **NP's expenditure on CDM less needed in 2025 and 2026.**
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- 8 **A. a)** The proposed customer rate increase on July 1, 2024 is 9.3%, not 19.3%.¹ As outlined
 9 in the response to Request for Information NLH-NP-001, the customer rate increase
 10 is required for Newfoundland Power to recover its power supply costs charged by
 11 Hydro in a timely manner.²
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- 13 The concept of rate shock was most recently considered by the Board in 2017.
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- 15 On January 27, 2017, Hydro filed an application with the Board that, combined with
 16 the annual operation of Hydro's Rate Stabilization Plan, would have resulted in an
 17 estimated average end customer impact of 18.6% on July 1, 2017. In Order No. P.U.
 18 14 (2017), the Board noted concerns of rate shock associated with Hydro's proposed
 19 customer rate increase. The Board stated that the estimated customer rate increase
 20 was "*such a significant increase that it may be argued it would cause rate shock.*"³
 21 The Board also noted in that decision that "*annual rate impacts for retail*
 22 *customers...have historically been in the range of +/- 10%.*"⁴
- 23
- 24 The Company does recognize customer rate pressures over the next two years. As
 25 outlined in part a) to the response to Request for Information NLH-NP-001,
 26 Newfoundland Power has been actively working towards potential solutions to
 27 smooth customer rates. While current circumstances inhibit the Company's ability to
 28 reasonably smooth rates for July 1, 2024, Newfoundland Power does believe there is
 29 an opportunity to smooth rates between 2025 and 2026.
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- 31 **b)** See part a) to this response as well as part a) to the response to Request for
 32 Information NLH-NP-001.
- 33
- 34 **c)** No, the proposed customer rate increase has no impact on Newfoundland Power's
 35 CDM expenditures. First, the proposed customer rate increase was included in the
 36 Company's *Customer, Energy and Demand Forecast* filed with its *2025/2026*
 37 *General Rate Application* in late 2023.⁵ Second, Newfoundland Power's CDM

¹ See Newfoundland Power's *Application for July 1, 2024 Customer Rates, Schedule 1*, page 4, Table 3.

² The principal purpose of the July 1st rate adjustment is to ensure variations in the Company's purchased power costs compared to the amount reflected in base customer rates are recovered from, or credited to, customers in a timely manner.

³ See Board Order No. P.U. 14 (2017), page 17, lines 2 to 3.

⁴ Ibid., page 16, lines 26 to 27.

⁵ See Newfoundland Power's *2025/2026 General Rate Application, Volume 2, Supporting Materials, Customer Energy and Demand Forecast*, page 5 of 8 which states "*The energy sales forecast under existing rates includes: ... (ii) an approximate 9% increase on July 1, 2024...*"

1 expenditures are based on cost-effective testing approved by the Board and therefore
2 continue to yield cost savings for customers.⁶

⁶ CDM programs have delivered approximately \$180.3 million in bill savings and approximately \$180.0 million in reduced system costs for Newfoundland Power’s customers since 2009.