

1 **Q. Reference: Footnote 4 of Newfoundland Power’s response to NLH-NP-005 of this**
 2 **proceeding; “2024 Rate of Return on Rate Base Application – Additional**
 3 **Information,” Newfoundland Power Inc. November 28, 2023; and “2024 Rate of**
 4 **Return on Rate Base Application,” Newfoundland Power Inc., November 23, 2023,**
 5 **app. D, pp. 1 and 3**

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 7 Newfoundland Power stated that:

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 9 The Company’s existing sales forecast incorporates price elasticity
 10 effects associated with forecast electricity prices, including the impact of
 11 the 1.5% proposed customer rate increase on July 1, 2024.
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- 13 a) Why is it appropriate to incorporate the impact of the 1.5% proposed customer
 14 rate increase on July 1, 2024 in the *existing* sales forecast if the *existing* revenue is
 15 not based on the proposed rate?
 16 b) Please provide Newfoundland Power’s existing 2024 sales forecast with and
 17 without the 1.5% proposed customer rate elasticity impact including the existing
 18 revenue from rates for each existing forecast and the associated proposed revenue
 19 from rates, using the tables provided.
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21 **Table 1: 2024 Sales Forecast with 1.5% Elasticity Impact**

	2024 Existing Sales Forecast (With 1.5% Elasticity Impact)	2024 Proposed Sales Forecast	Variance
Energy Sales (GWh)			
Revenue From Rates (\$)			
Rate Stabilization Account (\$)			
Municipal Tax Account (\$)			
Customer Billings (\$)			
Overall Billing Impact (%)			

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Table 2: 2024 Sales Forecast without 1.5% Elasticity Impact

	2024 Existing Sales Forecast (Without 1.5% Elasticity Impact)	2024 Proposed Sales Forecast	Variance
Energy Sales (GWh)			
Revenue From Rates (\$)			
Rate Stabilization Account (\$)			
Municipal Tax Account (\$)			
Customer Billings (\$)			
Overall Billing Impact (%)			

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c) Please verify whether the elasticity effects calculated in the existing sales forecast took into account the timing impact of the July 1, 2024 rate implementation. Additionally, confirm that separate elasticity impacts were calculated for each timing scenario outlined in the "Additional Information" filing.

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d) Please provide a Statement of Income, a Regulated Return on Equity, and a Rate of Return on Rate Base calculation based on an existing 2024 Forecast Before Recovery without 1.5% elasticity impacts incorporated, including comparatives to the "Before Recovery" numbers presented in Appendix D of Newfoundland Power's "2024 Rate of Return on Rate Base Application."

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A. a) Newfoundland Power's sales forecast includes price elasticity effects associated with an estimated 9.0% customer rate increase on July 1, 2024. The estimated 9.0% increase reflects anticipated rate pressures associated with the July 1st rate adjustment of 7.5% as well as the 1.5% rate increase proposed in the Application. As outlined in the response to Request for Information NLH-NP-008, there is uncertainty as to the amount of the July 1st rate adjustment, with rate pressures totalling more than 9.0%.¹ As such, a 9.0% customer rate increase is a reasonable estimate of customer rate changes on July 1, 2024.

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Further, for clarification, there is no requirement to complete an "existing" and "proposed" sales forecast for price elasticity effects. For example, as part of Newfoundland Power's last general rate application ("GRA"), the parties, including Hydro, agreed that the Company's sales forecast proposed in the GRA would not be revised for price elasticity effects following the issuance of a final order of the Board

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¹ As part of the *Reliability and Resource Adequacy Study Review* proceeding, Hydro indicated an estimated customer rate increase of 7.5% on July 1, 2024. In Table 1 in the response to Request for Information NLH-NP-008, Newfoundland Power estimated a customer rate impact on July 1, 2024 of 6.7% related to its Rate Stabilization Adjustment.

1 on the GRA. Generally, the price changes underlying Newfoundland Power's sales
 2 forecast used to determine customer rates are reasonable and are based on the best
 3 available information at the time the forecast is prepared. In the Company's view, for
 4 reasons outlined above, an estimated 9.0% customer rate increase on July 1, 2024 is
 5 reasonable to reflect in its sales forecast.

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 7 Finally, as outlined in part b) below, the price elasticity impact of the proposed 1.5%
 8 customer rate increase on 2024 energy sales of 5 GWh does not have a material impact
 9 on the 2024 sales forecast.²

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 11 b) See Table 5 in the 2024 Rate of Return on Rate Base report for a reconciliation of
 12 existing customer billings to proposed customer billings on an annual basis. This
 13 reflects the 2024 sales forecast, which includes price elasticity effects associated with
 14 an estimated 9.0% customer rate increase on July 1, 2024. Forecast 2024 energy sales
 15 total 5,981.4 GWh.

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 17 See Table 1 for a *pro forma* reconciliation of existing customer billings to proposed
 18 customer billings on an annual basis using a sales forecast which includes price
 19 elasticity effects associated with an estimated 7.5% customer rate increase on
 20 July 1, 2024. Forecast 2024 energy sales associated with the requested scenario total
 21 5,986.0 GWh.

Table 1:
Pro Forma Annual Average Customer Rate Change
(Based on the Requested Scenario)
(\$000s)

	Existing	Change	Proposed
Revenue from Rates	736,184	11,835	748,019
RSA	70,663	-	70,663
MTA	19,894	297	20,191
Customer Billings	826,741	12,132	838,873
Change (%)			1.5%

- 22 c) As outlined in the response to Request to Information NLH-NP-005, the Company's
 23 existing sales forecast incorporates price elasticity effects associated with forecast
 24 electricity prices, including the impact of the 1.5% proposed customer rate increase on
 25 July 1, 2024.

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 27 The information included in the response to the *PUB Information Request (i)* filed
 28 with the Board on November 28, 2023 does not include separate elasticity effects for

² 5 GWh represents less than 0.1% of the Company's total 2024 forecast sales.

1 each scenario. First, any price elasticity impact would be very small in moving a rate
2 increase within months of July 1, 2024.³ Second, as shown in part b), using a revised
3 sales forecast would not impact the change in revenue requirement resulting from the
4 revised return on rate base component from the level reflected in existing customer
5 rates and would not materially impact the customer rate impact analysis.
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7 d) See Attachment A for the requested scenario.

³ For example, if the customer rate increase was April 1, 2024 rather than July 1, 2024, the impact on the Company's total energy sales for 2024 is an estimated 2-3 GWh.