

Office of the Consumer Advocate

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October 7, 2024

Via Email

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power – Wholesale Rate Flow-Through Application
– Requests for Information CA-NP-001 to CA-NP-005

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NP-001 to CA-NP-005.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,



Dennis Browne, KC
Consumer Advocate

Encl.

/bb

cc **Newfoundland Power Inc.**
Dominic J. Foley (dfoley@newfoundlandpower.com)
NP Regulatory (regulatory@newfoundlandpower.com)

Newfoundland & Labrador Hydro
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Board General (board@pub.nl.ca)

IN THE MATTER OF the *Public Utilities Act*,
 (“Act”), and

IN THE MATTER OF an application by
 Newfoundland Power Inc. for approval of
 revisions to its proposed 2025 and 2026 test
 year revenue requirements for a revised
 wholesale rate and the rebasing of power
 supply costs, both effective January 1, 2025.

**CONSUMER ADVOCATE
 REQUESTS FOR INFORMATION
 CA-NP-001 to CA-NP-005**

Issued: October 7, 2024

- 1 CA-NP-001 (Reference Wholesale Rate Flow-Through Report)
- 2 a) Does the proposed wholesale rate move NP from the current situation
- 3 where it under-collects revenues when demand is greater than forecast in
- 4 the 2019 Test Year leading to a July 1 rate increase for NP retail customers,
- 5 to a situation where NP over-collects revenues when demand is greater
- 6 than forecast in the 2019 Test Year leading to a July 1 rate decrease for NP
- 7 retail customers (ignoring other components of the July 1 rate adjustment)?
- 8 b) More specifically, does NP currently pay about 18 cents/kWh for power
- 9 purchases above the 2019 Test Year forecast while collecting about 14
- 10 cents/kWh in revenues from its Domestic customer class for a net loss of
- 11 about 4 cents/kWh, whereas under the proposed wholesale rate, NP will
- 12 pay about 5.5 cents/kWh for power purchases above the 2019 Test Year
- 13 forecast while collecting about 14 cents/kWh from its Domestic customer
- 14 class for a net gain of about 8.5 cents/kWh?
- 15 c) Since the absolute value of the difference between the wholesale rate and
- 16 the Domestic rate would be larger, wouldn't that create the potential for
- 17 greater volatility?
- 18
- 19 CA-NP-002 (Reference Wholesale Rate Flow-Through Report)
- 20 a) Will the change in the wholesale rate proposed for January 1, 2025 not
- 21 result in a change to NP's retail rates on January 1, 2025 because NP
- 22 proposes to delay re-basing retail rates until July 1, 2025?
- 23 b) Please confirm that the analyses in the Application assume that NP will not
- 24 adjust the tail-block energy charges in its retail customer rates to reflect
- 25 marginal costs.
- 26 c) Is rate volatility reduced because NP is forecasting power purchases that
- 27 are above the forecast included in the 2019 Test Year, so under the
- 28 proposed wholesale rate, NP will be subject to reduced power purchase
- 29 costs on purchases above the 2019 Test Year forecast while revenues from
- 30 increased sales to its retail customers would remain the same whether or
- 31 not the wholesale rate is changed?
- 32 d) Would rate volatility associated with the July 1 adjustments for the most
- 33 part be eliminated if NP had tail-block energy charges in its retail customer
- 34 rates that were set equal to the wholesale second-block rate?
- 35
- 36 CA-NP-003 (Reference Wholesale Rate Flow-Through Report)
- 37 a) Please provide a table comparing: 1) 2019 Test Year sales to NP, 2)
- 38 Hydro's current forecast of sales to NP in 2025 and 2026, and 3) NP's
- 39 forecast of power purchases from Hydro in 2025 and 2026.
- 40 b) How would the SCVDA be impacted by the reductions in NP's power
- 41 purchase expenses in 2025 and 2026 under the proposed wholesale rate?
- 42 c) If NP's power purchase quantities are the same as that included in the 2019
- 43 Test Year, would NP's power purchase expense be the same under the new
- 44 wholesale rate as under the current wholesale rate?

d) For 2025 and 2026, please provide a comparison of NP’s power purchase expense and revenues from sales to its retail customers based on the 2019 Test Year forecast, NP’s current load forecast, a 1% increase in retail sales relative to NP’s current load forecast and a 1% reduction in retail sales relative to NP’s load forecast.

CA-NP-004

(Reference Wholesale Rate Flow-Through Report) Will variances recovered in deferral accounts always exist if tail-block energy charges in NP’s retail rates are not adjusted to equal the tail-block energy charge in the wholesale rate?

CA-NP-005

(Reference Wholesale Rate Flow-Through Report)

- a) Is the overarching objective of the proposed change in the wholesale rate to reduce volatility of July 1 rate adjustments?
- b) To achieve economic efficiency, is it not essential that the price faced by electricity end-users be equal to marginal cost?
- c) What changes in NP’s volume and timing of electricity purchases from Hydro are expected as a result of the proposed change in the wholesale rate?
- d) Will the proposed change in the wholesale rate affect how NP manages its hydro plants?
- e) Will the proposed change in the wholesale rate affect NP’s behaviour in any way?
- f) Would efficiency be improved if NP were to update its retail rates to better reflect the proposed wholesale rate?

DATED at St. John’s, Newfoundland and Labrador, this 7th day of October, 2024.

Per:


Dennis Browne, KC
Consumer Advocate

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