

- 1 **Q. (Reference Application)**
 2 **a) Please provide a detailed calculation of the cost to own and operate NP's**
 3 **hydro facilities, and the amount of money recovered annually from**
 4 **customers attributable to NP's hydro generation facilities.**
 5 **b) Has there been any additional studies relating to the retirement of NP's**
 6 **hydro generation facilities since the 2019 Depreciation Study – Hydro**
 7 **Plant Decommissioning Report? If so, please provide copies of such**
 8 **studies.**
 9
 10 A. a) Table 1 provides a *pro forma* estimate of the total 2023 revenue requirement
 11 associated with hydro facility assets for Newfoundland Power.¹

| Table 1 2023 <i>Pro Forma</i> Revenue Requirement Analysis Hydro Facility Assets (\$millions) | |
|--|-------------|
| Operating Expense | 3.5 |
| Depreciation Expense ² | 5.5 |
| Return on Rate Base ³ | 9.3 |
| Income Taxes ⁴ | 2.4 |
| 2023 <i>Pro Forma</i> Revenue Requirement | 20.7 |

12 The total cost in 2023 revenue requirement related to Newfoundland Power's hydro
 13 facilities is estimated at \$20.7 million.

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 15 Newfoundland Power's hydro facilities reduce the amount of electricity required from
 16 Newfoundland and Labrador Hydro ("Hydro"). Based on Hydro's October 2023
 17 marginal cost update, the cost to replace the production from the Company's hydro
 18 facilities following completion of the Muskrat Falls Project is estimated at \$43 million
 19 annually.⁵

¹ Current customer rates are based on: (i) Newfoundland Power's 2023 test year revenue requirement approved in Order No. P.U. 3 (2022) Amended 2; and (ii) the flow through of Hydro's purchased power costs in Order's No. P.U. 20 (2022), No. P.U. 17 (2023) and No. P.U. 18 (2024).

² Based on the depreciation rates approved by the Board in Order No. P.U. 3 (2022) Amended 2. The depreciation rate associated with generation assets is 2.35%.

³ Based on Newfoundland Power's 2023 test year return on rate base of 6.39%.

⁴ Income taxes associated with return on equity. The income tax rate is 30%.

⁵ These estimates are calculated to reflect post-Muskrat Falls marginal costs using the 2024 marginal cost values for energy and capacity. The energy-related value of production from the Company's hydro facilities is estimated at \$23 million annually, while the capacity-related value is estimated at \$20 million annually.

- 1 b) Newfoundland Power has not completed any additional studies relating to the
- 2 retirement of the Company's hydro generation facilities since the *2019 Depreciation*
- 3 *Study – Hydro Plant Decommissioning Report.*