



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: lholllett@newfoundlandpower.com

2023-11-27

Lindsay Hollett
Senior Legal Counsel
Newfoundland Power Inc.
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6

Dear Ms. Hollett:

Re: Newfoundland Power Inc. - 2025-2026 General Rate Application - Further Direction

On November 9, 2023 Newfoundland Power filed its 2025-2026 General Rate Application (“GRA”) seeking approval of its 2024 average rate base and rate of return as well as approval of its 2025 and 2026 test year revenue requirements. On November 17, 2023 the Board directed Newfoundland Power to file a separate application for its 2024 proposals and advised that further direction would be provided with respect to the 2025-2026 GRA proposals. The Board has determined that the potential customer rate impacts in 2025 and 2026 are not sufficiently clear and that more information should be filed with respect to wholesale power supply costs.

As acknowledged in the Application, wholesale power supply costs are normally rebased in a general rate application. Typically, Newfoundland Power’s test year power supply costs would be forecasted based on the current wholesale rate charged by Hydro to Newfoundland Power and the energy purchases forecasted in those years. The Application did not propose to rebase the wholesale power supply costs and explained:

Given the uncertainty in the implementation date of a new wholesale rate and the potential material change in marginal energy costs, Newfoundland Power has not rebased its forecast power supply energy costs into base rate 2025 and 2026 revenue requirements. Variances in power supply energy costs in those years from the level reflected in existing customer rates approved by the Board will continue to be charged or credited to customers as part of the annual July 1st rate adjustment.¹

¹ Section 1, Introduction, page 1-10.

The forecast variances in power supply costs are approximately \$40.2 million for 2025 and \$35.5 million for 2026.² These costs would normally be included in proposed test year base rates but the Application proposes that these costs flow through the annual July 1 rate stabilization adjustments.

The Board believes that further information is required to provide transparency with respect to rate impacts of the proposed approach throughout 2025 and 2026. The Board also believes that more information is required in relation to the impacts if the wholesale power supply costs were rebased. The Board directs that Newfoundland Power provide detailed information as to customer rate impacts and rate stabilization account balances for 2025 and 2026, including financing charges, for the two different approaches to the recovery of wholesale power supply costs.

The Board also directs that the most recently approved Test Year cost and Test Year sales data be included in reviewing the forecast cost and sales data provided in the GRA filing, specifically in the tables provided for comparison purposes.

The Application process will proceed upon receipt of the additional required information.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or by telephone 709-726-6781.

Sincerely,



for
Jo-Anne Galarneau
Executive Director and Board Secretary

ecc **Newfoundland Power Inc.**
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² Section 4, Rate Base and Revenue Requirement, page 4-10, Table 4-9, Transfers to the RSA - ESCV.