

**IN THE MATTER OF** the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended; (the “Act”); and

**IN THE MATTER OF** an application by Newfoundland Power Inc. (“Newfoundland Power” or the “Applicant”) to establish customer electricity rates for 2025 and 2026 (the “Application”).

**Settlement Agreement  
for the Proposed Resolution of Issues Arising  
from the Application**

**WHEREAS** the Applicant has filed the Application with the Board of Commissioners of Public Utilities of Newfoundland and Labrador (the “Board”);

**AND WHEREAS** the Consumer Advocate, Newfoundland and Labrador Hydro (“Hydro”), and the International Brotherhood of Electrical Workers, Local 1620 (“IBEW”) have been granted Intervenor status by the Board;

**AND WHEREAS** the Applicant, the Consumer Advocate and Hydro (the “Parties”) have engaged in negotiations;

**AND WHEREAS** the Parties, along with the IBEW and Board hearing counsel, have entered into a Settlement Agreement dated June 4, 2024, for the resolution of certain issues arising from the Application (the “Initial Settlement Agreement”); and

**AND WHEREAS** the Parties have agreed to make further joint recommendations to the Board for the resolution of additional issues arising from the Application.

**A. Terms of Agreement**

1. The Parties jointly advise the Board that in addition to the issues settled in the Initial Settlement Agreement, additional issues arising from the Application have been settled by negotiation between them in accordance with this Settlement Agreement (the “Settled Issues”).
2. The Parties recommend that the Board implement the agreement of the Parties regarding the Settled Issues in its order on the Application.

3. At the hearing of the Application, the Parties do not intend to present evidence, examine, cross-examine or present argument in relation to the Settled Issues beyond that which is reasonably necessary to assist the Board's understanding, and to explain or clarify the Parties' agreement concerning the Settled Issues, except insofar as may be necessary to address issues that have not been settled by this Agreement.
4. This Settlement Agreement does not dispose of all issues arising from the Application. It does not limit the rights of the Parties to present evidence, examine, cross-examine and present argument at the hearing of the Application on issues that have not been settled by this Agreement.
5. This Agreement is without prejudice to the positions the Parties may take in proceedings other than the Application. It sets no precedent for any issue addressed in this Agreement in any future proceeding or forum.

**B. Settled Issues**

*Wholesale Rate*

6. The Parties agree that it is desirable to establish a new wholesale rate that reflects current marginal energy costs. Hydro and Newfoundland Power have agreed to apply to the Board to revise the wholesale rate effective January 1, 2025, as more particularly described in the Wholesale Rate Revision Framework provided at Schedule A (the "Framework").
7. Hydro will file its application for a new wholesale rate with the Board on or about September 15, 2025 subject to the Framework and the principles outlined therein, and Newfoundland Power will file its flow-through application on the same date. The applications will be subject to review by the Board and the final wholesale rate will be established by an order of the Board.
8. The Parties agree that the Board should order the Applicant to rebase its power supply costs as part of its flow-through application.

*[Signature page follows]*

**AGREED** to effective the 12<sup>th</sup> day of June, 2024.

For Newfoundland Power:

Andrew Hallett.

For the Consumer Advocate:

[Signature]

For Newfoundland and Labrador Hydro:

SWalsh

**Schedule A**

**Wholesale Rate Revision Framework**

# WHOLESALE RATE REVISION FRAMEWORK

June 2024

## Introduction

- The current wholesale rate was approved by the Board in Order No. P.U. 30 (2019) and is based on Hydro's 2019 test year revenue requirement. The second energy rate block rate of 18.165¢ per kWh in the wholesale rate is based on the cost of fuel at Holyrood, which was the marginal cost of energy at that time.
- Newfoundland Power and Hydro have agreed to revise the wholesale rate effective January 1, 2025 to reflect current marginal energy costs, based on energy exports with the Labrador-Island Link being commissioned in 2023.
- The revised wholesale rate will be in place until a further order of the Board, anticipated to be associated with Hydro's next general rate application. Further adjustments to the revised wholesale rate would be considered at that time.
- Customer benefits of the revised wholesale rate implemented on January 1, 2025 include lower marginal power supply energy costs and a reduction in July 1<sup>st</sup> customer rate change volatility. The revised wholesale rate will also reduce cash flow volatility for Newfoundland Power.

## The Revised Wholesale Rate

- The revised wholesale rate is based on Hydro's 2019 test year revenue requirement, with no change in the total revenue requirement. There would only be a change in the energy revenues collected between the first and second energy blocks. As such, there would be no customer rate impact associated with Hydro's application to revise the wholesale rate.
  - Second block energy rate is based on 2025 forecast marginal energy rates including an average rate for a winter block (December to March) and an average rate for all remaining months (April to November).
  - First block energy rate is based on collecting Hydro's 2019 test year energy revenues minus those collected in the second block.
  - There is no change at this time in other wholesale rate components, such as the demand rate.

- A draft of the revised wholesale rate is provided in Attachment A.
  - The final wholesale rate applied for by Hydro may have adjustments to the attached version related to any available update to 2025 marginal energy costs before filing as well as any agreed upon changes in the blocking structure.
  - Hydro and Newfoundland Power also to review the practicality of updating the marginal energy costs on an annual basis.

### **Process**

- Hydro files an application with the Board to revise the wholesale rate on or about September 16, 2024 subject to the following principles:
  - Wholesale rate implementation on January 1, 2025 would have no customer rate impact.
  - There would be no adverse impact to Hydro's industrial customers.
  - Customer rate changes are maintained consistent with OC2024-062 and the Government of Newfoundland and Labrador's rate mitigation plan.
- At this point, no issues have been identified which would prevent filing an application for approval of a change in the wholesale rate structure.
- Newfoundland Power would file its application on the same date so both applications could be considered together by the Board.
  - The application would "flow-through" the impact of the revised wholesale rate on Newfoundland Power's approved 2025 and 2026 test year revenue requirements.
  - Power supply costs would be rebased as part of Newfoundland Power's application. Customer rate revisions from rebasing power supply costs for 2025 and 2026 would occur on the same date of the customer rate increase associated with Newfoundland Power's GRA, which is proposed to be July 1, 2025.
- A Board order by mid-December, 2024 would allow the new wholesale rate to be implemented on January 1, 2025.

### **Estimated Revenue Requirement and Customer Rate Impacts**

- Table 1 on the following page provides the overall customer rate impact difference between the current wholesale rate and the revised wholesale rate.

**Table 1:**  
**Estimated Revenue Requirement Impacts: Power Supply Costs**  
**(\$millions)**

	2025	2026
Draft new wholesale rate	519	516
Current wholesale rate	531	522
<b>Difference</b>	<b>(12)</b>	<b>(6)</b>
<b>Estimated customer rate impact (July 1, 2025)</b>		<b>-0.7%</b>

- The estimated customer rate impact is based on the 2026 revenue requirement associated with power supply costs and excludes 2025 revenue shortfall impacts.
  - The 2025 revenue shortfall would increase by an estimated \$13 million – amortization impact of ~\$6 million, or 0.7% increase (July 1, 2025). This results in an offsetting impact with the -0.7% in Table 1.
- Base on the above offsetting impacts, the rebasing of power supply costs with the revised wholesale rate would be an estimated 4.3% on July 1, 2025, which is substantially the same impact as the rebasing impact with the current wholesale rate.
  - The revised wholesale rate would provide certainty associated with RSA balances declining by March 31, 2026, resulting in a rate decrease on July, 1, 2026 associated with the RSA (in the range of 4% to 5%).
  - There is potential to smooth the customer rate impacts between July 1, 2025 and July 1, 2026. As part of its flow-through application, Newfoundland Power will consider a mechanism to offset the customer rate impact associated with rebasing power supply costs on July, 1 2025 and deferring its impact to July 1, 2026.

**Draft Revsied Wholesale Rate (June 2024)  
Based on Hydro's 2019 Test Year Billing Determinants**

Month	Purchased GWh	Energy Charges		Excess		Mills		Total Excess	Native Peak	Crec
		1st Block GWh	Mills /KWH	1st Block GWh	Mills /KWH	Total Excess	Total Excess			
January	715.4	590.0	84.02	49,572	125.4	100.70	100.70	\$ 12,631	1,392.74	129.0
February	648.5	590.0	84.02	49,572	58.5	100.70	100.70	5,891	1,392.74	129.0
March	646.0	590.0	84.02	49,572	56.0	100.70	100.70	5,635	1,392.74	129.0
April	527.7	290.0	84.02	24,366	237.7	34.87	34.87	8,290	1,392.74	129.0
May	421.7	290.0	84.02	24,366	131.7	34.87	34.87	4,594	1,392.74	129.0
June	345.2	290.0	84.02	24,366	55.2	34.87	34.87	1,924	1,392.74	129.0
July	307.9	130.0	84.02	10,923	177.9	34.87	34.87	6,203	1,392.74	129.0
August	300.5	130.0	84.02	10,923	170.5	34.87	34.87	5,945	1,392.74	129.0
September	314.5	130.0	84.02	10,923	184.5	34.87	34.87	6,435	1,392.74	129.0
October	413.7	250.0	84.02	21,005	163.7	34.87	34.87	5,708	1,392.74	129.0
November	495.5	250.0	84.02	21,005	245.5	34.87	34.87	8,560	1,392.74	129.0
December	664.1	250.0	84.02	21,005	414.1	100.70	100.70	41,697	1,392.74	129.0
<b>Total</b>	<b>5,800.7</b>	<b>3,780.0</b>		<b>\$ 317,596</b>	<b>2,020.7</b>			<b>\$ 113,512</b>		

Total purchased power pi  
Difference