

1 Q. **Reference: CA-NLH-005**

2 It is stated “*Without the required information on the final rate mitigation plan, Hydro does not*
3 *have adequate certainty to develop test year forecast revenue requirements for use in its GRA*
4 *filing.*”

5 a) Why is Hydro unable to determine its revenue requirement without a finalized rate
6 mitigation plan? Does Hydro know its cost of supply?

7 b) How does Hydro currently determine the amounts included in the Energy Supply Cost
8 Variance Account?

9 c) Does a revenue requirement that incorporates a rate mitigation plan result in a fictitious
10 cost of service study and reduced transparency? At any time in the past has Hydro been
11 ordered by the Board to re-file a cost of service study that had been based on a fictitious
12 supply scenario?

13 d) Could Hydro file its GRA and subject it to a transparent review process following which
14 the government could decide on a rate mitigation plan? Would this result in a more
15 transparent process?

16 e) In Hydro’s opinion, by not re-basing its power supply costs is Newfoundland Power
17 basing its GRA on a fictitious cost of service study?

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20 A. a) Newfoundland and Labrador Hydro (“Hydro”) can forecast its power supply costs; however,
21 finalization of the rate mitigation plan is required to determine its revenue requirement to
22 be reflected in customer rates. Final customer rates proposed for approval in its next
23 general rate application (“GRA”) will be net of rate mitigation. To calculate these customer
24 rates, Hydro requires details of the Government of Newfoundland and Labrador’s
25 (“Government”) finalized rate mitigation plan.

1 **b)** The Supply Cost Variance Deferral Account was approved in Order No. P.U. 4(2022)¹ with an
2 effective date of November 1, 2021. The definition contains the items included in the
3 account and formula for calculation.

4 **c)** Hydro does not believe that a revenue requirement that incorporates a rate mitigation plan
5 would result in fictitious cost of service study and reduced transparency. The cost of service
6 study will analyze and summarize the costs required to serve each customer class. If these
7 costs are reduced through rate mitigation, the effect on costs should be reflected in the cost
8 of service study. Also, to enhance transparency and allow all parties to fully examine costs
9 and associated adjustments, Hydro plans to file two cost of service studies as part of its next
10 GRA—one with mitigation and a version without.

11 Hydro is not aware of any instance where it filed a cost of service study based on a
12 “fictitious” supply scenario or of having to refile a cost of service study based on one. The
13 Cost of Service Study originally filed in the 2017 GRA was required to be updated due to the
14 prolonged timeframe of that proceeding and the changes to the electrical system within
15 that timeframe.²

16 **d)** The outcome of the upcoming GRA will be a proposal to implement new customer rates that
17 are net of rate mitigation. As the Government has committed to mitigating rates, Hydro
18 does not believe it would be prudent to proceed with a GRA that would result in
19 unmitigated rates. Hydro believes that a transparent review can be achieved via the
20 submission of two cost of service studies as described in part c).

21 **e)** No, Hydro does not believe Newfoundland Power Inc. (“Newfoundland Power”) is basing its
22 2025/2026 GRA on a fictitious cost of service study. Hydro observes that the Cost of Service
23 Study filed as part of Newfoundland Power’s 2025/2026 GRA is based on:

- 24 • Newfoundland Power’s historical 2022 costs combined with some pro-forma
25 adjustments related to street lighting;

¹ Order No. P.U 34(2023) approved the latest revisions to the Supply Cost Variance Deferral Account.

² In Order No. P.U. 2(2018), the Board of Commissioners of Public Utilities directed Hydro to file additional information providing the 2018 and 2019 revenue requirements and cost of service studies based on the expected supply scenario, setting out Hydro’s assumptions and the support for those assumptions.

- 1 • Newfoundland Power’s March 2022 rate change; and
- 2 • Newfoundland Power’s July 1, 2023 Rate Stabilization Account/Municipal Tax
- 3 Adjustment.³

4 Since Newfoundland Power did not rebase its forecast power supply costs into base rate

5 2025/2026 revenue requirement, the revenue requirement for those years do not reflect

6 the most current forecast of supply costs.

³ “2025/2026 General Rate Application,” Newfoundland Power Inc., December 12, 2023, vol. 2, Cost of Service Study, sec. 2.0, f.n. 1.