

1 Q. **Reference: PUB-NP-007**

2 It is stated *“Attachment A provides a calculation of the current wholesale rate, based on Hydro’s*  
3 *2019 test year revenue requirement. The Company anticipates that a new wholesale rate in*  
4 *advance of Hydro’s next general rate application (“GRA”) would continue to be based on Hydro’s*  
5 *2019 test year revenue requirement. Attachment A also provides an example of a new wholesale*  
6 *rate which recovers more costs in the first block and less costs in the second block. This example*  
7 *has been provided for illustrative purposes only to demonstrate that the total revenue*  
8 *requirement is the same in both scenarios.”*

9 a) Does Hydro agree with this statement?

10 b) What are the pros and cons of the example wholesale rate provided in Attachment A?

11 c) Under what process could a wholesale rate similar to the example rate in Attachment A be  
12 implemented? Could a new wholesale rate similar to this be reviewed as part of  
13 Newfoundland Power’s 2024-2025 GRA and implemented by January 1, 2025?

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16 A. a) Yes, Newfoundland and Labrador Hydro (“Hydro”) agrees that the revised rate design results  
17 in the same revenue requirement.

18 b) From Hydro’s perspective, a benefit of this example would be that the revised rate design  
19 results in the same revenue requirement and earnings as the 2019 Test Year; therefore,  
20 there would be no material impact on Hydro’s financial results as a result of this wholesale  
21 rate change in advance of Hydro’s next general rate application (“GRA”).

22 One disadvantage of this rate design example is that the 2019 Test Year costs, marginal  
23 costs, and components of deferral accounts are designed and based on fuel costs associated  
24 with the Holyrood Thermal Generating Station. Additional analysis is required to understand  
25 the impact of updating the wholesale rate based on Hydro’s 2019 Test Year revenue  
26 requirement in advance of Hydro’s next GRA to ensure the proposed changes work with  
27 Hydro’s current deferral accounts and achieve the desired outcome.

1           c) If deemed a viable option once the required analysis is complete, the example rate in  
2           Attachment A could be implemented through an application by Hydro filed in the  
3           August/September 2024 timeframe with a proposed implementation date of  
4           January 1, 2025. As noted in Hydro's response to PUB-NLH-011 of this proceeding, if this  
5           timeline is not feasible, Hydro would file for approval of an interim revised wholesale rate  
6           structure shortly after filing its GRA. Hydro does not believe it's necessary for this wholesale  
7           rate change to be included in Newfoundland Power's current GRA proceeding.