

1 **Section 1: Proposal to Not Rebase Power Supply Costs**  
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3 **Q. (Section 1, page 1-9) It is stated “Given the uncertainty in the implementation date of**  
4 **a new wholesale rate and the potential material change in marginal energy costs,**  
5 **Newfoundland Power has not rebased its forecast power supply energy costs into base**  
6 **rate 2025 and 2026 revenue requirements.”**

7 **a) Why is this particular uncertainty a valid reason for not rebasing power supply**  
8 **costs in the 2025 and 2026 revenue requirements when there are numerous**  
9 **uncertainties in other data and information submitted as part of this GRA?**

10 **b) Does rebasing power supply costs improve rate transparency?**  
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12 A. a) Power supply costs are Newfoundland Power’s single largest cost, accounting for  
13 approximately two-thirds of its annual revenue requirement.<sup>1</sup> The Company has  
14 effectively no control over its power supply costs, including the wholesale rate  
15 charged by Hydro to Newfoundland Power.  
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17 The response to Request for Information PUB-NP-004 outlines why it is reasonable  
18 to not rebase power supply energy costs as part of the Company’s GRA and describes  
19 the associated customer benefits.  
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21 Supply cost mechanisms outside of the determination of base rate revenue  
22 requirements permit full recovery of Newfoundland Power’s power energy supply  
23 costs.<sup>2</sup> This differs from the recovery of the Company’s other costs which are only  
24 rebased as a result of a change in revenue requirement approved by the Board,  
25 typically as part of a GRA.  
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27 b) Rebasing power supply costs improves customer rate transparency when the  
28 wholesale rate effective for that time period is certain. See part d) to response to  
29 Request for Information PUB-NP-004 for further information.

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<sup>1</sup> Based on 2022 actual information. See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3.3.2 Risk Assessment*, Table 3-13.

<sup>2</sup> Mechanisms that permit full recovery of energy supply costs by investor-owned distribution utilities are commonplace in Canadian regulatory practice. See response to Request for Information PUB-NP-071. The Company recovers its power supply costs through a combination of base rate test year revenue requirements and regulatory supply cost mechanisms, which are incorporated into the annual July 1<sup>st</sup> rate adjustment.