

1 **Section 4: Rate Base and Revenue Requirement**
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3 **Q. (Section 4, page 4-9) It is stated “... and the potential material difference in marginal**
4 **energy costs”. What potential material difference in marginal energy costs is**
5 **Newfoundland Power expecting?**
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7 A. Newfoundland Power is referring to Newfoundland and Labrador Hydro’s (“Hydro”)
8 marginal energy costs which are typically reflected in Hydro’s second block energy
9 charge to Newfoundland Power. The current second block energy charge applicable to
10 Newfoundland Power is 18.165 ¢/kWh and is reflective of the marginal cost of energy
11 produced at the Holyrood Thermal Generating Station (“Holyrood”).¹
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13 Hydro’s marginal energy cost projections no longer reflect the cost of energy produced at
14 Holyrood. Since Newfoundland and Labrador is now interconnected to the North
15 American grid, the opportunity costs associated with the ability to import energy from,
16 and sell energy to, other jurisdictions are now considered to be Hydro’s marginal cost of
17 energy. These opportunity costs are significantly lower than the marginal cost of fuel at
18 Holyrood. For example, based on a weighted average of marginal energy costs for 2026
19 included in Hydro’s *Marginal Cost Projection 2024 – 2040* dated December 31, 2022,
20 the marginal cost of energy is forecast to be approximately 4.5¢ per kWh in 2025 and
21 3.5¢ per kWh in 2026.² These 2025 and 2026 marginal cost forecasts are 75% and 81%
22 lower than the current second block energy charge of 18.165 ¢/kWh, respectively.
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24 See the response to Request for Information PUB-NP-004 and Newfoundland Power’s
25 *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and*
26 *Exhibits, Section 4 Rate Base & Revenue Requirement*, pages 4-8 to 4-11 for further
27 information and analysis.

¹ See Hydro’s Schedule of Rates, Rules and Regulations, Updated January 1, 2024, page UT-4.

² See the response to PUB Information Request (i) filed with the Board on December 13, 2023.