

1 **Section 5: Customer Rates**

2
3 **Q. (Section 5, page 5-9) It is stated “The Company’s future embedded and marginal costs**
4 **cannot reasonably be determined until Hydro files its next general rate application**
5 **reflecting the changes related to the Muskrat Falls Project.”**

6 **a) Will Newfoundland Power not know its embedded costs until Hydro files its next**
7 **GRA? If not, what costs are reflected in Newfoundland Power’s cost of service**
8 **study in this GRA?**

9 **b) Does Newfoundland Power not have a marginal cost forecast that is considerably**
10 **more accurate than the tail-block energy charges currently incorporated in the**
11 **wholesale power rate and Newfoundland Power’s retail customer rates?**

12 **c) Does Newfoundland Power need a rate design review to update its base rates?**

13 **d) How might Hydro go about updating the wholesale power rate without waiting**
14 **until it submits its next GRA?**

15 **e) Could Newfoundland Power update the base rates for its retail customers at this**
16 **GRA?**

17 **f) How might Newfoundland Power go about updating the base rates for its retail**
18 **customers without waiting until it submits its next GRA?**

19
20 **A. a) Newfoundland Power filed its embedded Cost of Service Study as part of the**
21 **2025/2026 General Rate Application.¹ It included purchased power expenses related**
22 **to costs from Newfoundland and Labrador Hydro (“Hydro”) which are based on**
23 **Hydro’s current Utility Rate to Newfoundland Power.² This has been the normal**
24 **practice of the Company in its general rate applications.³**

25
26 **b) Newfoundland Power has a marginal cost forecast from Hydro. It shows marginal**
27 **energy supply costs in 2025 that are lower than the tail-block energy charge currently**
28 **in Hydro’s Utility Rate to Newfoundland Power.⁴ Newfoundland Power’s tail-block**
29 **energy charges to its General Service customers are more closely aligned with**
30 **Hydro’s forecast marginal energy supply costs.⁵**

¹ See Newfoundland Power’s 2025/2026 General Rate Application, Volume 2 – Supporting Materials, 4. Cost of Service Study.

² Hydro’s current Utility Rate applicable to Newfoundland Power was approved by the Board in Order No. P.U. 30 (2019) following Hydro’s 2017 General Rate Application. It is updated annually to reflect changes in Hydro’s Rate Stabilization Plan (“RSP”), Conservation and Demand Management (“CDM”) Cost Recovery Adjustment, and the Project Cost Recovery Rider.

³ See for example, Newfoundland Power’s 2022/2023 General Rate Application, Volume 2 – Supporting Materials, 4. Cost of Service Study and Newfoundland Power’s 2019/2020 General Rate Application, Volume 2 – Supporting Materials, 4. Cost of Service Study.

⁴ See the response to Request for Information CA-NP-096 Attachment B for Hydro’s 2023 Marginal Cost Projection for 2024-2042. Hydro’s current tail-block energy rate to Newfoundland Power is 18.165 ¢/kWh. The forecast marginal annual all-hours energy supply cost is 5.712 ¢/kWh for 2025.

⁵ Newfoundland Power’s tail-block energy charge for its General Service Rate #2.1, #2.3, and #2.4 customers are currently 10.160 ¢/kWh, 9.385 ¢/kWh, and \$9.305 ¢/kWh, respectively.

- 1 c) Newfoundland Power updates its base rates as a part of its general rate applications or
2 in response to Hydro's general rate applications to effectively flow through changes
3 in Hydro's Utility Rate to Newfoundland Power.⁶
4

5 Newfoundland Power typically updates its customer rate designs following a
6 comprehensive review. Newfoundland Power's existing customer rates reflect the
7 results of recommendations of the *Retail Rate Review* conducted in 2010 (the "Retail
8 Rate Review"). The *Retail Rate Review* consisted of a comprehensive review of
9 Newfoundland Power's domestic and general service rates and an evaluation of
10 alternative rates. The Board implemented recommendations from the review, as
11 appropriate, in subsequent years.⁷ Order No. P.U. 2 (2019) concluded the
12 implementation of the recommendations outlined in the Retail Rate Review.
13

14 Newfoundland Power is currently in the process of conducting an updated Rate
15 Design Review.⁸ Phase 1 of the updated Rate Design Review is underway.⁹ Once
16 complete, the updated Rate Design Review will inform future rate designs for
17 Newfoundland Power's customers in consideration of changing cost dynamics on the
18 Island Interconnected System. Changes in rates designs prior to the completion of this
19 review would be premature.
20

- 21 d) See the response to Request for Information PUB-NP-004.
22

- 23 e) See the response to part c).
24

- 25 f) See the response to part c). The updated Rate Design Review includes a phased
26 approach to assessing and implementing new customer rate designs. It includes:
27 consultation with the parties; a phase one report reviewing Newfoundland Power's
28 existing rates and possible alternative rate designs; feedback from the parties; a phase
29 two report which assesses existing and alternative rate designs based on embedded
30 costs that include the Muskrat Falls Project costs and updated load research; customer
31 engagement activities; and a technical conference hosted by the Board. A rate design
32 plan which includes rate design recommendations based on the updated Rate Design
33 Review will be presented to the Board as part of a general rate application, or separate
34 regulatory process, as determined by the Board.

⁶ See Newfoundland Power's *2025/2026 General Rate Application, Volume 1 – Application, Company Evidence and Exhibits, Exhibit 11 Summary of Existing and Proposed Customer Rates*. See also Order No. P.U. 31 (2019).

⁷ For example: (i) in Order No. P.U. 13 (2013), the Board approved, among other things, changes in relation to the basic customer charge and changes to the Early Payment Discount; and (ii) in Order No. P.U. 18 (2016), the Board approved separate Basic Customer Charges under General Service Rate 2.1.

⁸ In Order No. P.U. 3 (2022), the Board directed Newfoundland Power to conduct a new Load Research Study and Retail Rate Design Review as proposed by the Company.

⁹ Newfoundland Power filed its Rate Design Review Framework with the Board on December 30, 2022.