

1 **Q. (Reference PUB-NP-004) It is stated “Newfoundland Power submits that its approach**
2 **to not rebase power supply energy costs in its 2025 and 2026 test years is reasonable.”**
3 **Please explain the step-by-step process followed by Newfoundland Power starting**
4 **with the pro forma 2022 cost of service study through to the Test Year cost of**
5 **service study, cost allocations and rates for the different customer classes in 2025**
6 **and 2026.**

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8 A. The cost of service study used to assess the fairness of the customer rates proposed in
9 Newfoundland Power’s *2025/2026 General Rate Application* is the 2022 *pro forma* cost
10 of service study.

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12 As outlined in the 2022 *pro forma* cost of service study, the revenue-to-cost ratios for
13 each class of service is between 90% and 110%. As such, Newfoundland Power is
14 proposing to apply an average increase to each class of service, to the extent possible.

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16 With respect to determining customer rates proposed in the *2025/2026 General Rate*
17 *Application*, the steps taken by Newfoundland Power were:

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19 • 2025 and 2026 test year revenue requirements were determined. This included a
20 deduction to base rate revenue requirement associated with not rebasing power
21 supply energy costs.
22
23 • At the same time, the 2022 *pro forma* cost of service study was completed. As
24 provided above, the study provided that the revenue-to-cost ratios for each class
25 of service is between 90% and 110%. As such, no specific rate design adjustments
26 were required.
27
28 • Customer rates proposed in the Application were determined based on the 2026
29 test year revenue requirement. As provided above, the Company determined the
30 proposed customer rates to result in an average increase to each class of service,
31 to the extent possible.¹

¹ See the *2025/2026 General Rate Application, Volume 1, Section 5.4 Proposed Rates, Rules and Regulations* for further information.