

VOLUME 2: CUSTOMER, ENERGY AND DEMAND FORECAST**Q. Reference: CA-NP-140****What does Newfoundland Power consider to be "rate shock" for customers?**

- A. "Rate shock" is a concept coined to describe electricity rate impacts that could be viewed to exceed the general expectations of customers. The Board has provided commentary on "rate shock" on a number of occasions. Newfoundland Power agrees generally with the Board's commentary.

In Order No. P.U. 14 (2017), the Board noted concerns of rate shock associated with Newfoundland and Labrador Hydro's proposed July 2017 customer rate increase. The Board stated that the estimated customer rate increase of 18-19% was "*such a significant increase that it may be argued it would cause rate shock.*"¹ The Board also noted in that decision that "*annual rate impacts for retail customers...have historically been in the range of +/-10%.*"²

The Board also considered the concept of rate shock in its Final Report on *Rate Mitigation Options and Impacts on the Muskrat Falls Project*, wherein it was stated that an increase of approximately 75% was "*well above the 10% threshold normally considered to cause 'rate shock'.*"³

¹ Order No. P.U. 14 (2017), page 17, lines 2-3.

² Ibid., page 16, lines 26-27.

³ See *Reference to the Board, Rate Mitigation Options and Impacts, Muskrat Falls Project, Final Report* dated February 7, 2020, page 106.