1	Section	on 1:	Introduction/Proposal Not to Rebase Power Supply Costs				
2 3	Q.	٧n	lume 1, Section 1, page 1-9, lines 5-8. It is stated that Newfoundland and				
4	×۰		brador Hydro ("Hydro") currently expects its earliest timeframe for filing its				
5			neral rate application to be the latter half of 2024. Further, Additional				
6		0	formation, PUB Information Request (i), page 2 of 5 states: "For these reasons,				
7			wfoundland Power believes it is likely that a new wholesale rate will be				
8		implemented as early as January 1, 2025 and no later than January 1, 2026. As					
9		such, Newfoundland Power submits that its approach to not rebase power supply					
10			ergy costs in its 2025 and 2026 test years is reasonable." However, based on recent				
11			rrespondence from Hydro with respect to its next General Rate Application				
12		(G	RA), Hydro will not be filing its GRA until 2025.				
13		a)	Would it be reasonable to rebase the power supply costs, particularly for 2025,				
14			given the most recent information from Hydro regarding the delay in filing its				
15			next GRA from the date anticipated at the time Newfoundland Power filed its				
16			application?				
17		b)	Does Newfoundland Power agree that, based on the duration of the regulatory				
18			process for recent Hydro general rate applications, it may be early 2027 before a				
19			final wholesale rate is implemented if Hydro does not file its general rate				
20			application until 2025? If not, why not.				
21		c)	Assuming a revised wholesale rate structure is not in effect until 2027, would it				
22 23			be reasonable and consistent with regulatory practice and good utility practice				
23			for Newfoundland Power's 2025 and 2026 test years revenue requirements to				
24			reflect rebased power supply costs? If the wholesale rate structure is not in effect				
25 26			until 2027, please explain why the Board should approve 2025 and 2026 test years which do not include Newfoundland Power's rebased power supply costs				
20 27			given that this will result in the delayed recovery of significant 2025 and 2026				
28			power supply costs through the Rate Stabilization Adjustments in July of 2026				
28 29			and 2027.				
30		(h	What information is Newfoundland Power planning to provide its customers to				
31		u)	ensure transparency with respect to the customer rate impacts resulting from its				
32			GRA proposals, including the impacts of the Rate Stabilization Adjustments in				
33			2026 and 2027?				
34							
35	A.	a)	At the time Newfoundland Power's GRA was prepared, Hydro indicated that its next				
36			GRA could be filed as early as the latter half of 2024. ¹ This timeline would have				
37			allowed for the implementation of a new wholesale rate for the Company as early as				
38			January 1, 2025 (i.e. on an interim basis) and no later than January 1, 2026 as part of				
39			Hydro's next GRA.				

¹ In its September 29, 2023 letter *Re: Quarterly Update – Items Impacting the Delay of Hydro's Next General Rate Application*, Hydro provided that it expected the earliest timeframe for its next GRA to be the latter half of 2024.

1 2 3 4	Hydro now expects to file its next GRA in 2025. ² In Newfoundland Power's view, this latest delay precludes the ability to implement a new wholesale rate for the Company that reflects marginal costs as part of a Hydro GRA in a timely manner.
5	Newfoundland Power is currently discussing with Hydro the possibility of
6	implementing a new wholesale rate on January 1, 2025. The implementation of a new
7	wholesale rate would be effected through a separate application by Hydro, as opposed
8	to being part of its next GRA. Newfoundland Power would then file a subsequent
9	application to "flow-through" the new wholesale rate to its customers. ³ Applications
10	of a similar nature have occurred in 2015, 2017 and 2019 and were approved by the
11	Board. ⁴
12	
13	There are a number of customer benefits stemming from the implementation of a new
14	wholesale rate on January 1, 2025, including:
15	
16	• The Muskrat Falls Project was commissioned in April 2023, which results in a
17	material shift in marginal energy costs. ⁵ Implementation of a new wholesale
18	rate by January 1, 2025 would allow for the change in marginal costs to be
19	reflected in the wholesale rate within a reasonable timeframe. This is
20	consistent with the regulatory principle of practical attributes. ⁶
21	
22	• The change in the wholesale rate would be relatively straight forward.
23 24	Hydro's overall 2019 test year revenue requirement used to determine the current wholesale rate would not change. The change could potentially be an
24 25	adjustment of revenue recovery between the first and second block only. See
26	response to Request for Information PUB-NP-007 for further information.
27	response to request for miorination f OD for for further miorination.
28	• Additional energy purchases beyond Hydro's 2019 test year level of
29	5,801 GWh would be costed at a marginal rate based on energy exports
30	(estimated to be 3.5¢ per kWh) as opposed to 18.165¢ per kWh based on the
31	cost of fuel at Holyrood. Actual 2023 energy purchases were 5,806 GWh. As
32	such, any sales growth beyond 2023 levels would be costed at the lower
33	marginal rate, resulting in lower overall costs for customers. This is also
34	consistent with the regulatory principle of practical attributes, and is
35	consistent with the Board's recognition of the importance that correct price
36	signals are reflected in rates to customers. ⁷
37	
38	• Government electrification initiatives are continuing beyond January 1, 2025,
39	most notably the electrification of the boilers at Memorial University.

² See Hydro's December 15, 2023 letter *Re: Quarterly Update – Items Impacting the Delay of Hydro's Next General Rate Application.*

³ This process would be separate and follow the completion of Newfoundland Power's GRA process.

⁴ See Order Nos. P.U. 18 (2015), P.U. 23 (2017) and P.U. 31 (2019).

⁵ See PUB Information Request (i), Schedule A for further information.

⁶ The regulatory principle of practical attributes provides that rates should be simple, understandable and publicly acceptable with a minimum of controversy upon implementation.

⁷ See Order No. P.U. 7 (2002-2003), page 60.

 with the regulatory principle of fair cost appointment and practical attributes. A new wholesale rate would result in less volatility in the annual July 1st rate adjustments, which would be good for customers.⁸ This is consistent with the regulatory principle of rate stability. A new wholesale rate would allow the Company to better plan its customer rate designs. In Newfoundland Power's view, there are no customer benefits in maintaining the current wholesale rate beyond January 1, 2025. For these reasons, Newfoundland Power maintains that it was reasonable to not rebase power supply energy costs in its 2025 and 2026 test year revenue requirements as part of its GRA filing. Further, the Company believes it is reasonable to implement a new wholesale rate on January 1, 2025 through a separate application, which would allow for its implementation ahead of Hydro's next GRA. b) Newfoundland Power agrees if the implementation of a new wholesale rate was delayed until Hydro's next GRA, it could be 2027 before a final wholesale rate was to remain in place until December 31, 2026, then it would be reasonable to rebase power supply energy costs based on the current wholesale rate was to remain in place until December 31, 2026, then it would be reasonable. c) Newfoundland grees that if there were certainty that the current wholesale rate was to remain in place until December 31, 2026, then it would be reasonable. d) Newfoundland Power has been transparent in communicating the customer rate proposals effective July 1, 2025 included in its Application. d) Newfoundland Power supply energy costs include in its Application. d) Newfoundland Power has been transparent in communicating the customer rate proposals effective July 1, 2025 included in its Application. d) Newfoundland Power supply energy costs not there is more certainty on the wholesale rate to r2025 and 2026 is appropriate. d) Newfoundland Power supply energ	1 2		Implementation of a new wholesale rate on January 1, 2025 would allow for these initiatives to be costed at an appropriate marginal rate. This is consistent
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⁸ For example, the annual July 1st rate adjustment on July 1, 2022 (excluding implementation of the Muskrat Falls rider) was an average decrease in customer rates of 6.4%, as compared to the July 1, 2023 rate adjustment which resulted in an average increase in customer rates of 6.9%.