

Section 1: Introduction/Proposal Not to Rebase Power Supply Costs

Q. Volume 1, Section 1, pages 1-8 to 1-9. Newfoundland Power has indicated that it expects the marginal energy rate in a new wholesale rate will be materially lower than the current marginal energy rate of 18 cents per kWh.

a) Does Newfoundland Power agree that in a revised wholesale rate the other components of the rate (i.e., first block price and demand charge) are likely to increase? If not, why not?

b) Given Newfoundland and Labrador Hydro has a deferral account approved which permits the ongoing deferral of its increased costs associated with commissioning of the Muskrat Falls Project, please explain if Newfoundland Power believes that the average power purchased costs in cents per kWh for Newfoundland Power under a new wholesale rate implemented following a Newfoundland and Labrador Hydro rate application will be lower than the Newfoundland Power projected average purchased power costs in cents per kWh for the 2026 test year (i.e., assuming the rebasing of purchase power costs).

A. a) Yes, Newfoundland Power agrees that a new wholesale rate with a lower end block rate would include a higher first block rate and potentially a higher demand charge.

Attachment A provides a calculation of the current wholesale rate, based on Hydro's 2019 test year revenue requirement. The Company anticipates that a new wholesale rate in advance of Hydro's next general rate application ("GRA") would continue to be based on Hydro's 2019 test year revenue requirement. Attachment A also provides an example of a new wholesale rate which recovers more costs in the first block and less costs in the second block. This example has been provided for illustrative purposes only to demonstrate that the total revenue requirement is the same in both scenarios.

b) Newfoundland Power anticipates that following Hydro's next GRA, overall purchased power costs will increase due to costs associated with the Muskrat Falls Project. Given the timing of Hydro's next GRA and potential duration of that process, the increased power supply costs may not be reflected in customer rates until 2027.¹

While overall purchased power costs from Hydro are expected to increase following Hydro's next GRA, marginal energy costs have materially decreased with the commissioning of the Muskrat Falls Project in 2023.² As such, in Newfoundland Power's view, the implementation of a new wholesale rate that appropriately reflects lower marginal energy costs in advance of Hydro's next GRA is reasonable. See the response to Request for Information PUB-NP-004.

¹ See part b) to the response to Request for Information PUB-NP-004.

² See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 4, page 4-9.*

Wholesale Rate Calculations

**Current Wholesale Rate
Hydro 2019 TY Billing Determinants**

		1st Bl Mills			Demand \$/kW
Winter Bl	410	24.44		Excess Mills	\$5.00
Other Bl	250	24.44			

Purchased Power Expense (\$000s)

Month	Energy Charges				Purchased Power Expense (\$000s)				Demand Charges				Purchased Power Billed
	Purchased GWH	1st Block GWh	Mills /KWH	Total 1st Block	Excess GWh	Mills /KWH	Total Excess	Native Peak	Credit	Billing Demand	\$/kW	Total Demand	
January	715.4	410.0	24.44	\$ 10,020	305.4	181.65	\$ 55,482	1,392.74	129.054	1,263.689	\$ 5.00	\$ 6,318	\$ 71,820
February	648.5	410.0	24.44	10,020	238.5	181.65	43,324	1,392.74	129.054	1,263.689	5.00	6,318	59,663
March	646.0	410.0	24.44	10,020	236.0	181.65	42,863	1,392.74	129.054	1,263.689	5.00	6,318	59,202
April	527.7	410.0	24.44	10,020	117.7	181.65	21,386	1,392.74	129.054	1,263.689	5.00	6,318	37,725
May	421.7	250.0	24.44	6,110	171.7	181.65	31,198	1,392.74	129.054	1,263.689	5.00	6,318	43,626
June	345.2	250.0	24.44	6,110	95.2	181.65	17,286	1,392.74	129.054	1,263.689	5.00	6,318	29,715
July	307.9	250.0	24.44	6,110	57.9	181.65	10,516	1,392.74	129.054	1,263.689	5.00	6,318	22,945
August	300.5	250.0	24.44	6,110	50.5	181.65	9,171	1,392.74	129.054	1,263.689	5.00	6,318	21,599
September	314.5	250.0	24.44	6,110	64.5	181.65	11,723	1,392.74	129.054	1,263.689	5.00	6,318	24,152
October	413.7	250.0	24.44	6,110	163.7	181.65	29,736	1,392.74	129.054	1,263.689	5.00	6,318	42,165
November	495.5	410.0	24.44	10,020	85.5	181.65	15,527	1,392.74	129.054	1,263.689	5.00	6,318	31,865
December	664.1	410.0	24.44	10,020	254.1	181.65	46,152	1,392.74	129.054	1,263.689	5.00	6,318	62,491
Total	<u>5,800.7</u>	<u>3,960.0</u>		<u>\$ 96,782</u>	<u>1,840.7</u>		<u>\$ 334,363</u>					<u>\$ 75,821</u>	<u>\$ 506,967</u>
							<u>\$ 431,146</u>						

New Wholesale Rate (Illustrative Example)
Hydro 2019 TY Billing Determinants

		1st Bl Mills			
Winter Bl	410	113.10	Excess Mills		Demand \$/kW
Other Bl	250	59.00	35.00		\$5.00

Purchased Power Expense (\$000s)

Month	Energy Charges							Demand Charges				Purchased Power Billed	
	Purchased GWH	1st Block GWh	Mills /KWH	Total 1st Block	Excess GWh	Mills /KWH	Total Excess	Native Peak	Credit	Billing Demand	Total Demand \$/kW		
January	715.4	410.0	113.10	\$ 46,371	305.4	35.00	\$ 10,690	1,392.74	129.054	1,263.689	\$5.00	\$ 6,318	\$ 63,380
February	648.5	410.0	113.10	46,371	238.5	35.00	8,348	1,392.74	129.054	1,263.689	5.00	6,318	61,037
March	646.0	410.0	113.10	46,371	236.0	35.00	8,259	1,392.74	129.054	1,263.689	5.00	6,318	60,948
April	527.7	410.0	113.10	46,371	117.7	35.00	4,121	1,392.74	129.054	1,263.689	5.00	6,318	56,810
May	421.7	250.0	59.00	14,750	171.7	35.00	6,011	1,392.74	129.054	1,263.689	5.00	6,318	27,080
June	345.2	250.0	59.00	14,750	95.2	35.00	3,331	1,392.74	129.054	1,263.689	5.00	6,318	24,399
July	307.9	250.0	59.00	14,750	57.9	35.00	2,026	1,392.74	129.054	1,263.689	5.00	6,318	23,095
August	300.5	250.0	59.00	14,750	50.5	35.00	1,767	1,392.74	129.054	1,263.689	5.00	6,318	22,835
September	314.5	250.0	59.00	14,750	64.5	35.00	2,259	1,392.74	129.054	1,263.689	5.00	6,318	23,327
October	413.7	250.0	59.00	14,750	163.7	35.00	5,730	1,392.74	129.054	1,263.689	5.00	6,318	26,798
November	495.5	410.0	113.10	46,371	85.5	35.00	2,992	1,392.74	129.054	1,263.689	5.00	6,318	55,681
December	664.1	410.0	113.10	46,371	254.1	35.00	8,892	1,392.74	129.054	1,263.689	5.00	6,318	61,582
Total	<u>5,800.7</u>	<u>3,960.0</u>		<u>\$ 366,726</u>	<u>1,840.7</u>		<u>\$ 64,425</u>					<u>\$ 75,821</u>	<u>\$ 506,972</u>
							Total energy charges						\$ 431,151