

1 **Section 4: Rate Base and Return on Rate Base**

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3 **Q. Volume 2, Tab 2, 2025 and 2026 Rate Base Allowances. Is there any adjustment to**  
4 **the purchased power expense applied in the derivation of the cash working capital**  
5 **allowance to be included in rate base given a material portion of Newfoundland**  
6 **Power’s increased purchased power expense between test years is recovered**  
7 **through the Rate Stabilization Account (RSA) with finance costs applied to balances**  
8 **based on the approved Weighted Average Cost of Capital? If not, please explain**  
9 **why making no adjustment to purchased power expense in the calculation of test**  
10 **year cash working capital allowance to reflect the return earned on the balance in**  
11 **the RSA would not result in duplication of return (i.e., from both the RSA and**  
12 **through the inclusion of cash working capital allowance in rate base) in determining**  
13 **revenue requirement.**

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15 A. The cash working capital allowance included in Newfoundland Power’s rate base is  
16 based on the lead/lag study completed as part of its *2025/2026 General Rate Application*  
17 and is based on 2022 actual information.<sup>1</sup> With respect to purchased power costs, the  
18 expense lag is calculated by analyzing the average number of lag days between when the  
19 purchased power invoice is received and when payment is made to Hydro. The weighted  
20 average lag is approximately 29 days.<sup>2</sup>

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22 The cash working capital allowance only considers the lag in the monthly purchased  
23 power invoice explained above and does not take into consideration the lag associated  
24 with the recovery of purchased power cost variances from the latest test year. As such, no  
25 adjustment to the purchased power component of the cash working capital allowance is  
26 necessary.

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28 For further information, see the response to Request for Information PUB-NP-076.

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<sup>1</sup> See the *2025/2026 General Rate Application, Volume 2, Supporting Materials, Reports, 2025 and 2026 Rate Base Allowances*.

<sup>2</sup> See the *2025/2026 General Rate Application, Volume 2, Supporting Materials, Reports, 2025 and 2026 Rate Base Allowances, Appendix A, Schedule 2, line 32*.