**Volume 2: Tab 3, Customer, Energy and Demand Forecast Report**

**Q. Volume 2: Tab 3.**

**a) Please confirm that if weather normalized power purchases exceed the test year power purchases forecast, the difference between incremental supply cost and average test year energy supply cost is charged to the Energy Supply Cost Variance Deferral Account for future recovery from customers through the Rate Stabilization Account adjustment.**

**b) Please confirm that if weather normalized energy sales exceed the test year energy sales forecast, Newfoundland Power earnings (i.e., before taxes) increase to the extent that incremental revenues from increased energy sales exceed the average energy supply costs reflected in Test Year rates. If not confirmed, please explain the relationship of increased energy sales relative to the Test Year forecast to regulated earnings.**

**c) Given the anticipated electrification impacts on sales growth, does Newfoundland Power believe that a modification to the Energy Supply Cost Variance Deferral Account may be appropriate to apply a portion of increased contribution from sales growth (i.e., in excess of the Test Year forecast) to partially offset the increased supply cost resulting from power purchases exceeding the test year forecast? Please explain the factors that should be considered in assessing this option.**

A. a) It is confirmed.

b) It is confirmed except that the average demand cost reflected in test year rates would also factor into the overall contribution margin impact.[1] Newfoundland Power observes that the amount of contribution from energy sales in excess of the test year forecast is limited by the Excess Earnings Account, as approved by the Board.[2]

c) Newfoundland Power does not believe it would be appropriate to modify the Energy Supply Cost Variance Deferral Account for sales growth on account of electrification.

The Company has included additional load related to electrification in its forecast. This includes sales growth related to oil to electric conversions as well as the adoption of electric vehicles. See the response to Request for Information NLH-NP-001 for amounts included in the sales forecast related to these initiatives.

As sales growth related to electrification is reflected in the sales forecast and, therefore, the 2025 and 2026 revenue requirement, it would not be appropriate to also adjust the Energy Supply Cost Variance Deferral Account for that impact.

[1] Similar to the Energy Supply Cost Variance Deferral Account, the Demand Management Incentive Account provides for the recovery of unit demand cost variances from the latest test year (outside of a deadband of ±$500,000 proposed in Newfoundland Power's *2025/2026 General Rate Application*).

[2] Any return on rate base in excess of the range established by the Board as just and reasonable would be credited to the Company's Excess Earnings Account. As such, Newfoundland Power cannot earn in excess of the range approved by the Board. See the response to Request for Information PUB-NP-075