

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

**Q. Volume 2, Tab 3.**

- a) Please provide the details of the projected rate increases for each of 2024, 2025, and 2026 reflected in the General Rate Application (“GRA”) load forecast.
- b) Please provide a comparison of the GRA sales forecasts for 2025 and 2026 with a pro-forma sales forecast that would have been developed for 2025 and 2026 if the estimated effects of price elasticity are excluded. Please provide the response in a table format for each class showing the forecast sales differences for each year.
- c) Assuming no price elasticity was reflected in the GRA load forecasts for, 2024, 2025 and 2026, what impact would the use of the pro-forma forecast have on determining: (i) the dollar change in revenue requirement; (ii) the proposed rate increase; (iii) the amounts transferred to the Energy Supply Cost Variance for 2025 and 2026.

A. a) The energy sales forecast under existing rates includes a 9% increase on July 1, 2024 reflecting anticipated rate pressures associated with the July 1<sup>st</sup> rate adjustment of 7.5% as well as the 1.5% rate increase associated with Newfoundland Power’s 2024 *Rate of Return on Rate Base Application* and a 2.25% increase on July 1<sup>st</sup> in each of 2025 and 2026.<sup>1</sup> Under proposed rates, there is a 5.5% increase in customer rates effective July 1, 2025.

b) Table 1 provides the requested comparison.<sup>2</sup>

**Table 1:  
Proposed vs. Pro Forma Forecast<sup>3</sup>  
(GWh)**

	<u>2025</u>			<u>2026</u>		
	Proposed	PF	Chg.	Proposed	PF	Chg.
Rate #1.1	3,614.6	3,716.5	2.8%	3,580.0	3,736.8	4.4%
Rate #2.1	792.6	799.4	0.9%	795.1	802.4	0.9%
Rate #2.3 <sup>4</sup>	1,072.0	1,071.8	0.0%	1,070.6	1,070.7	0.0%
Rate #2.4	518.5	518.5	0.0%	514.7	514.8	0.0%
Rate #4.1	20.2	20.2	0.0%	17.9	17.9	0.0%
<b>Total</b>	<b>6,017.9</b>	<b>6,126.4</b>	<b>1.8%</b>	<b>5,978.3</b>	<b>6,142.6</b>	<b>2.7%</b>

<sup>1</sup> Annual rate increases of 2.25% are based on the Provincial Government’s April 2019 release *Protecting You from the Cost Impacts of Muskrat Falls*.

<sup>2</sup> The analysis also excludes price elasticity effects associated with the July 1, 2023 customer rate increase of 6.9%.

<sup>3</sup> Changes are calculated as: Pro Forma subtract Proposed.

<sup>4</sup> There is no price elasticity in Rates #2.3, #2.4 and #4.1. The small variances present are due to rounding.

- 1 c) See the response to Request for Information PUB-NP-103 for a fulsome discussion of  
 2 the impact of electricity rate increases on customer electricity usage.  
 3  
 4 Attachment A provides *pro forma* 2025 and 2026 revenue requirements assuming no  
 5 price elasticity impacts were included in the Company's sales forecast.  
 6  
 7 Attachment B provides a *pro forma* customer rate impact analysis assuming no price  
 8 elasticity impacts were included in the Company's GRA sales forecast or in the  
 9 determination of customer rates.  
 10  
 11 Table 2 provides the requested information based on these analyses.

**Table 2:**  
**Proposed vs. *Pro Forma* Forecast<sup>5</sup>**  
**(\$millions, unless otherwise noted)**

	<u>2025</u>			<u>2026</u>		
	<b>Proposed<sup>6</sup></b>	<b>PF<sup>7</sup></b>	<b>Chg.</b>	<b>Proposed<sup>8</sup></b>	<b>PF<sup>9</sup></b>	<b>Chg.</b>
Dollar change in revenue requirement <sup>10</sup>	17.5	15.3	(2.2)	38.9	37.5	(1.4)
Energy Supply Cost Variance transfers	40.1	54.9	14.8	35.5	60.5	25.0
Customer rate impact <sup>11</sup>	n/a	n/a	n/a	5.5%	4.5%	(1.0%)

<sup>5</sup> Changes are calculated as: Pro Forma subtract Proposed.

<sup>6</sup> See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 7*, page 1.

<sup>7</sup> See Attachment A, page 1.

<sup>8</sup> See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 7*, page 2.

<sup>9</sup> See Attachment A, page 2 and Attachment B.

<sup>10</sup> Based on the dollar change in revenue requirement between the existing and proposed revenue requirements.

<sup>11</sup> July 1, 2025 customer rate change based on 2026 revenue requirement.

***Pro Forma Revenue Requirement Impact***

**Newfoundland Power Inc.**  
**Pro Forma 2025 Revenue Requirement<sup>1</sup>**  
**(\$000s)**

	<u>Existing</u>	<u>Changes</u>	<u>Proposed</u>
<b>1 Costs</b>			
2 Power Supply Cost <sup>2</sup>	556,003	-	556,003
3 Operating Costs	81,394	509	81,903
4 Employee Future Benefit Costs	8,122	-	8,122
5 Deferred Cost Recoveries and Amortizations	492	(12,063)	(11,571)
6 Depreciation	83,143	-	83,143
7 Income Taxes <sup>3</sup>	21,032	6,434	27,466
8	<u>750,186</u>	<u>(5,120)</u>	<u>745,066</u>
9			
10 Return on Rate Base <sup>4</sup>	90,197	13,852	104,049
11			
12 <b>2025 PF Revenue Requirement</b>	840,383	8,732	849,115
13			
<b>14 Adjustments</b>			
15 Other Revenue	(11,017)	1,794	(9,223)
16 Interest on Security Deposits	72	-	72
17 Energy Supply Cost Variance Adjustments <sup>5</sup>	(54,870)	-	(54,870)
18 Other Transfers to RSA	(10,447)	4,793	(5,654)
19	<u>(76,262)</u>	<u>6,587</u>	<u>(69,675)</u>
20			
21 <b>2025 PF Revenue Requirement from Rates</b>	<u>764,121</u>	<u>15,319</u>	<u>779,440</u>

<sup>1</sup> Excludes the impact of deferred cost recoveries and amortizations and finance related charges.

<sup>2</sup> Higher energy purchases due to higher energy sales from removal of price elasticity effects from sales forecast. Also removes the adjustment of price elasticity from the existing to the proposed revenue requirements.

<sup>3</sup> Higher income tax related to additional return on equity from the additional sales due to removal of price elasticity effects from the sales forecast.

<sup>4</sup> Higher return on equity from the additional sales due to removal of price elasticity effects from the sales forecast.

<sup>5</sup> Higher Energy Supply Cost Variance transfers related to additional energy purchases.

**Newfoundland Power Inc.**  
**Pro Forma 2026 Revenue Requirement<sup>1</sup>**  
**(\$000s)**

	<u>Existing</u>	<u>Changes</u>	<u>Proposed</u>
<b>1 Costs</b>			
2 Power Supply Cost <sup>2</sup>	565,523	-	565,523
3 Operating Costs	84,156	784	84,940
4 Employee Future Benefit Costs	1,812	-	1,812
5 Deferred Cost Recoveries and Amortizations	492	9,396	9,888
6 Depreciation	86,691	-	86,691
7 Income Taxes <sup>3</sup>	19,541	8,000	27,541
8	<u>758,215</u>	<u>18,180</u>	<u>776,395</u>
9			
10 <b>Return on Rate Base<sup>4</sup></b>	88,338	16,329	104,667
11			
12 <b>2026 PF Revenue Requirement</b>	846,553	34,509	881,062
13			
<b>14 Adjustments</b>			
15 Other Revenue	(11,644)	4,784	(6,860)
16 Interest on Security Deposits	72	-	72
17 Energy Supply Cost Variance Adjustments <sup>5</sup>	(60,526)	-	(60,526)
18 Other Transfers to RSA	(4,257)	(1,785)	(6,042)
19	<u>(76,355)</u>	<u>2,999</u>	<u>(73,356)</u>
20			
21 <b>2026 PF Revenue Requirement from Rates</b>	<u>770,198</u>	<u>37,508</u>	<u>807,706</u>

<sup>1</sup> Excludes the impact of deferred cost recoveries and amortizations and finance related charges.

<sup>2</sup> Higher energy purchases due to higher energy sales from removal of price elasticity effects from sales forecast. Also removes the adjustment of price elasticity from the existing to the proposed revenue requirements.

<sup>3</sup> Higher income tax related to additional return on equity from the additional sales due to removal of price elasticity effects from the sales forecast.

<sup>4</sup> Higher return on equity from the additional sales due to removal of price elasticity effects from the sales forecast.

<sup>5</sup> Higher Energy Supply Cost Variance transfers related to additional energy purchases.

***Pro Forma Impact on Customer Rates***

Newfoundland Power Inc.

*Pro Forma 2026 Revenue Requirement to Revenue from Rates Reconciliation*  
(\$000s)

	<u>Existing</u>	<u>Proposed</u>	<u>Difference</u>	<u>Price</u> <u>Elasticity</u>	<u>Proposed</u> <u>Increase</u>
	A	B	C	D	E
1 <b>Revenue From Rates</b>	770,198 <sup>1</sup>	807,706 <sup>2</sup>	37,508 <sup>3</sup>	-	37,508 <sup>5</sup>
2					
3 <b>RSA Charges<sup>6</sup></b>	71,109	71,109	-	-	-
4					
5 <b>MTA Charges<sup>6</sup></b>	20,732	21,639	907	-	907
6					
7 <b>Total</b>	<u>862,039</u>	<u>900,454</u>	<u>38,415</u>	<u>-</u>	<u>38,415</u>

**Estimated Customer Rate Impact**

**4.5%**

<sup>1</sup> From Attachment A, Existing column, page 2 of 2, line 21.

<sup>2</sup> From Attachment A, Proposed column, page 2 of 2, line 21.

<sup>3</sup> Column B - Column A

<sup>4</sup> Elasticity impacts from reduced customer usage as a result of the proposed rate increase have been removed.

<sup>5</sup> Column C + Column D.

<sup>6</sup> The RSA and MTA billings are determined using the RSA and MTA Factors effective July 1, 2023.