Q. **(Reference CA-NP-009) Has Newfoundland and Labrador Hydro's adoption of second-block winter and non-winter rates incentivized Newfoundland Power to shift generation from the non-winter? What is the scope for doing so?**

A. Newfoundland Power's base customer rates, in conjunction with its supply cost mechanisms, provide for the full recovery of its purchased power costs from Newfoundland and Labrador Hydro ("Hydro"). In particular, the Energy Supply Cost Variance account ensures the Company is not benefited or harmed by the two-block energy rate in the Utility rate charged by Hydro to Newfoundland Power. Regulatory mechanisms that permit full recovery of energy supply costs, and are therefore without incentive components, are commonplace in Canada. For further information regarding the Company's recovery of its purchased power costs and the operation of its supply cost mechanisms, see Newfoundland Power's *Supply Cost Mechanisms Review* filed with the Board on March 31, 2026.

The Utility rate does, however, include a generation credit which provides an incentive for Newfoundland Power to have its generation available for the winter season. Further, the Company has a statutory obligation to operate its generation facilities in an efficient manner.[1] The operation of the Company's hydro plants is coordinated with Hydro to ensure the economic dispatch of generation on the Island Interconnected System. For further information regarding the efficient operation and maintenance of Newfoundland Power's hydro facilities, see the Company's *Supply Cost Mechanisms Review* filed with the Board on March 31, 2026.

[1] See Section 3(b)(i) of the *Electrical Power Control Act, 1994.*