

- 1 **Q. (Application Volume 1, page 1-2) It is stated “Newfoundland Power’s long-term**
2 **growth outlook is uncertain. This uncertainty reflects a weak economic outlook for the**
3 **province and potential increases in the cost of electricity following the commissioning**
4 **of Nalcor Energy’s Muskrat Falls Project.”**
- 5 **a) When is the Muskrat Falls Project expected to be commissioned and when**
6 **are its costs expected to be reflected in NP’s purchase power rate?**
- 7 **b) Explain how the Muskrat Falls Project has impacted NP’s planning and its**
8 **forecasts of load and costs in the test years 2022 and 2023.**
- 9 **c) Does NP not have an excellent record of forecast accuracy for its energy**
10 **sales, as demonstrated in Appendix D of its Customer, Energy and Demand**
11 **Forecast in Volume 2?**
- 12 **d) Is growth necessary for NP to achieve its approved return on rate base or its**
13 **approved ROE?**
- 14
- 15 **A. a)** According to Newfoundland Labrador Hydro’s (“Hydro”) latest *Labrador-Island*
16 *Link Monthly Update*, the overall Muskrat Falls Project completion date is
17 November 26, 2021.¹ However, it is uncertain when the Utility rate charged by
18 Hydro to Newfoundland Power will change to reflect Muskrat Falls Project costs.
19
- 20 See response to Request for Information CA-NP-004 for further information.
21
- 22 **b)** The Muskrat Falls Project has not materially impacted the Company’s *Customer,*
23 *Energy and Demand Forecast* (the “CED Forecast”) or other planning reflected in
24 its *2022/2023 General Rate Application*. For example, electricity rates included
25 in the CED Forecast are limited to annual increases of 2.25%, reflecting the
26 Provincial Government’s rate mitigation indications at the time of filing the
27 application.²
28
- 29 See response to Request for Information CA-NP-004 for information on
30 outstanding matters that would need to be completed for Newfoundland Power to
31 incorporate costs associated with the Muskrat Falls Project into its planning
32 processes.
33
- 34 **c)** Appendix D to Newfoundland Power’s CED Forecast shows its energy sales
35 forecast has been reasonably accurate for the past 10 years. Differences from
36 energy sales forecasts and actual weather-adjusted energy sales have ranged from
37 a high of 1.3% to a low of -1.2%. In 6 of the past 10 years, differences from
38 forecast were 1% or less.³

¹ See Hydro’s August 13, 2021 letter regarding *Reliability and Resource Adequacy Study Review – Labrador-Island Link Monthly Update – July 2021*.

² See the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 3, Customer, Energy and Demand Forecast, Section 3.2 Energy Prices Outlook*.

³ *Ibid.*, Section 6.0 Forecast Accuracy.

- 1 d) No, growth is not necessary for Newfoundland Power to achieve its approved
2 return on rate base or return on equity. However, as examples, year-over-year
3 declines in energy sales reduce the Company’s flexibility to respond to higher
4 than expected expenses, such as restoration costs following extreme weather.
5 Declining energy sales also make the Company less appealing to financial
6 markets as compared to utilities with higher growth potential.
7
8 For a fulsome discussion on the Company’s risk profile, including its long-term
9 growth prospects, see the *2022/2023 General Rate Application, Volume 1,*
10 *Application, Company Evidence and Exhibits, Section 3.3.2: Risk Assessment.*