

1 **Q. In its response to NLH-NP-073, Newfoundland Power provided its annual forecast**  
2 **and actual energy production for each of the last five years.**

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4 **a) Please confirm that the values provided in the response are provided in**  
5 **GWh, not kWh as stated.**

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7 **b) Given that the actual production has been at least 8% lower than forecasted**  
8 **production in all but one year, does Newfoundland Power believe its**  
9 **forecasted hydraulic production should be adjusted? If so, how? If not, why**  
10 **not?**

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12 **c) Please explain how Newfoundland Power's supply costs are recovered in**  
13 **years when actual hydraulic production is lower than the hydraulic**  
14 **production forecast in the test year. Does Newfoundland Power incur any**  
15 **financial impacts if its hydraulic production is lower than forecast? Please**  
16 **explain.**

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18 **A. a) It is confirmed.**

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20 **b) No, Newfoundland Power does not believe its forecast normal hydraulic**  
21 **production should be revised. The forecast normal hydraulic production was**  
22 **derived from the results of the 2020 Hydro Normal Production Review completed**  
23 **by Hatch Ltd. on April 28, 2021. See Attachment A of response to Request for**  
24 **Information NLH-NP-066 for a copy of the report.**

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26 **c) Supply cost variances relating to Newfoundland Power's hydraulic production are**  
27 **included in the Company's Weather Normalization Reserve.<sup>1</sup> The purpose of this**  
28 **reserve is to stabilize rates for customers. The hydro production equalization**  
29 **component of the Weather Normalization Reserve adjusts Newfoundland Power's**  
30 **purchased power expense to reflect changes in production due to the impact on**  
31 **natural stream flows caused by variations in precipitation. When actual stream**  
32 **flows are lower than normal stream flows the hydro production equalization**  
33 **component credits Newfoundland Power with the additional purchased power**  
34 **expense incurred from Newfoundland and Labrador Hydro.<sup>2</sup>**

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<sup>1</sup> The Weather Normalization Reserve includes 2 components: (i) the hydro production equalization; and (ii) the degree day normalization.

<sup>2</sup> The primary assumption under the current methodology for the normalization of stream flows to effectively normalize purchased power expense on an annual basis is that the Company's hydro production can always match the stream flows on a calendar year basis. However, hydro production cannot always match annual stream flows due to the timing of stream flows, limitations to hydro plant production capabilities, and other unforeseen circumstances that affect hydro plant availability. The result of annual hydro production differing from annual inflows results in variability in supply costs from year to year. For the 2022 and 2023 test years, Newfoundland Power is assuming normal stream flows match production and therefore there is no impact on test year supply costs.