

1 **Q. (Application Volume 1, page 1-9) It is stated “The third change relates to the**
2 **recovery of wholesale supply costs from forecast energy sales. A general rate**
3 **application requires forecast supply costs to be reconciled with forecast revenue from**
4 **energy sales during the test period. Rebalancing 2022 and 2023 supply costs and**
5 **revenue from energy sales results in a 2.7% decrease in the revenue required from**
6 **customer rates.”**

7 **a) Does this rate decrease have anything to do with actions taken by NP? More**
8 **specifically, is NP taking credit for this rate decrease?**

9 **b) If the same load forecast used in the 2019-2020 GRA were used in this GRA**
10 **what rate increase would NP be proposing?**

11 **c) If it turns out that NP’s load in 2022 and 2023 are similar to load used in the**
12 **2019-2020 GRA, how and when would NP’s increased costs be passed on to**
13 **customers?**

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15 **A. a)** The reduction in forecast power supply costs included in Newfoundland Power’s
16 2022 and 2023 revenue requirements compared to those reflected in current
17 customer rates is primarily due to a decline in energy sales experienced by the
18 Company since its last general rate application (“GRA”). The forecast decline in
19 energy sales reflects the challenging economic conditions in its service territory.
20 Declining energy sales also reflect the penetration of heat pumps in the
21 Newfoundland Power’s service territory. Lower energy sales reduce the amount
22 of power that is required to be purchased from Newfoundland and Labrador
23 Hydro.

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25 The filing of a GRA requires the Company to include all forecast costs in its
26 determination of revenue requirements. This includes Newfoundland Power’s
27 single largest expenditure, purchased power.

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29 **b)** The *Electrical Power Control Act, 1994* requires that customer rates “*should be*
30 *established, wherever practicable, based on forecast costs for that supply of*
31 *power for 1 or more years.*”¹ Accordingly, the Company has not prepared its
32 *2022/2023 General Rate Application*, nor has it completed any analysis, to
33 determine proposed customer rates based on a previous year’s forecast.

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35 **c)** Any supply cost variances from 2022 and 2023 test year amounts would be
36 collected, or refunded, to customers through the annual July 1st rate stabilization
37 adjustment or through a future application of Newfoundland Power to the Board.²

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39 For further information on the recovery of supply costs between GRAs, see
40 response to Request for Information PUB-NP-041.

¹ See Section 3(a)(ii) of the *Electrical Power Control Act, 1994*.

² 2022 supply cost variances would be reflected in the July 1, 2023 rate stabilization adjustment. 2023 supply cost variances would be reflected in the July 1, 2024 rate stabilization adjustment or in future GRA revenue requirement forecasts.