

Q. Reference: “2022/2023 General Rate Application,” Newfoundland Power, May 27, 2021, Volume 1, Page 5-7, Table 5-5.

Has Newfoundland Power completed a review on the impact of increased heat pump usage on their class load profiles used in allocating system peak demand costs among customer classes? If no, why does Newfoundland Power still believe the revenue to cost ratios presented are accurate?

A. Newfoundland Power is currently completing a heat pump load research study to better understand the impacts of heat pumps on customer load requirements.¹

Newfoundland Power assesses the fairness of its rates by comparing the revenue collected from each rate class with the cost to serve each class, as determined through an embedded cost of service study. Maintaining revenue to cost ratios for each class within the range of 90% to 110% has been an accepted approach to ensure that there is no undue cross-subsidization among the various classes.² The revenue to cost ratios filed in the Company's *2022/2023 General Rate Application* are within the range accepted by the Board.³

Newfoundland Power periodically completes load research studies to ensure estimates of class demand requirements remain reasonably accurate for cost of service purposes.⁴ The Company's next load research study is anticipated to commence after Muskrat Falls Project costs are reflected in customer rates.⁵ Information from the next load research study will be used to assess the continued fairness of customer rates. Consistent with previous practice, if the results of the cost of service study indicate revenue to cost ratios outside of the 90% to 110% range, Newfoundland Power will propose customer rate adjustments to bring revenue to cost ratios within the targeted range.⁶

¹ See response to Request for Information NLH-NP-062 for information relating to Newfoundland Power's ongoing heat pump load research study.

² This is consistent with the views of the Board as expressed in Order No. P.U. 7 (1996-97), where the Board stated: "*The Board agrees with the philosophy that it is not necessary to achieve a 100% revenue to cost ratio for all classes and takes no exception to a variance of up to 10%.*"

³ See the 2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 5.3.1 Embedded Cost of Service Study, page 5-7 to 5-8.

⁴ See response to Request for Information NLH-NP-030 for Newfoundland Power's *2006 Load Research Study*. The load research study completed prior to the *2006 Load Research Study* was completed in 1994.

⁵ See response to Request for Information NLH-NP-033 for information relating to Newfoundland Power's next load research study.

⁶ For example, in Order No. P.U. 25 (2016), the Board approved an average overall increase in electricity rates of 1.2%. In consideration of the 90% to 110% revenue to cost ratio range, rate changes for the Company's rate classes varied from a decrease of -1.3% to an increase of 1.8%.