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December 11, 2023

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Newfoundland Power Inc.'s 2024 Rate of Return on Rate Base Application – Requests for Information

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") requests for information NLH-NP-001 to NLH-NP-010 in relation to Newfoundland Power Inc.'s 2024 Rate of Return on Rate Base Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/sk

Encl.

ecc:

Board of Commissioners of Public Utilities

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Newfoundland Power Inc.

Dominic J. Foley
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Liam P. O'Brien, Curtis Dawe
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IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

IN THE MATTER OF an application by Newfoundland Power Inc. (“Newfoundland Power” or the “Company”) for approval of a 2024 forecast average rate base and rate of return on rate base and to establish customer electricity rates for 2024 (the “Application”).

Newfoundland and Labrador Hydro
Requests for Information
NLH-NP-001 to NLH-NP-010

December 11, 2023

1 **NLH-NP-001 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 2 **November 23, 2023**

3 Provide a Statement of Income comparing the approved 2023 Test Year to:

- 4 a) Newfoundland Power’s 2024 Forecast Before Recovery;
- 5 b) Newfoundland Power’s most recent 2023 Forecast (including Year-to-Date
 6 Actuals); and
- 7 c) Newfoundland Power’s full 2024 Forecast based on projected 2024 Sales with
 8 the proposed 2024 Rate.

9 **NLH-NP-002 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 10 **November 23, 2023, app. C, p. 1/3.**

11 Please provide the calculations for the Return on Equity and Return on Rate Base for the
 12 2024 Forecast before recovery, assuming Gross Operating Costs increased by 3.0% over
 13 the \$68,272,000 in the 2023 Test Year costs¹ instead of the \$76,838,000 shown in Table 2-
 14 3 of Newfoundland Power’s “2025/2026 General Rate Application”² and included in the
 15 2024 Forecast Before Recovery.

16 **NLH-NP-003 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 17 **November 23, 2023, sec. 6.1, p. 6, Table 4.**

18 In Board Order No. P.U.3(2022) Amended No.2,³ the Board of Commissioners of Public
 19 Utilities approved the rate of return on average rate base for 2023 of 6.39%, in a range of
 20 6.21% to 6.57%.

21 Please confirm that Newfoundland Power’s 2024 Forecast Rate of Return on Rate Base is
 22 6.21% before the cost recovery proposed in this application.

¹ “2022/2023 General Rate Application,” Newfoundland Power Inc., rev. December 7, 2021 (originally filed May 7, 2021, vol. I, exh. C, p. 1/25).

<<http://pub.nl.ca/applications/NP2022GRA/apps/From%20NP%20-%202022-2023%20General%20Rate%20Application%20-%20Amended%20Application%20-%202021--12-07.PDF>>.

² “2025/2026 General Rate Application,” Newfoundland Power Inc., November 9, 2023, vol. I, tab B, sec. 2.4.1, Table 2-3, p. 2-29. <<http://pub.nl.ca/applications/NP2025GRA/app/From%20NP%20-%202025-2026%20General%20Rate%20Application%20-%20Volume%201%20-%202023-11-09.PDF>>.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. 3(2022), Amended No. 2, Board of Commissioners of Public Utilities, January 5, 2022.

1 **NLH-NP-004 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 2 **November 23, 2023, sec. 4.0, p. 5.**

3 Newfoundland Power’s application states

4 The higher cost of debt is the result of financing arrangements which
 5 were approved by the Board under Section 91 of the Act. In Order No.
 6 P.U. 20 (2023), the Board approved the Company’s issue of 5.122% First
 7 Mortgage Bonds in an amount of \$90 million. In Order No. P.U. 22
 8 (2008), the Board approved the Company’s current committed credit
 9 facility. Under this facility, the Company is forecasting 2024 short-term
 10 debt costs of approximately 5.5%.⁴

11 In Newfoundland Power’s “2022/2023 General Rate Application,”⁵

- 12 a) What were the assumptions on the issuance of long-term debt in 2023 and the
 13 forecast interest rate?
- 14 b) What is the current interest rate on the Newfoundland Power’s current
 15 committed credit facility?
- 16 c) Please explain the assumptions used in estimating short-term debt costs of
 17 approximately 5.5% in 2024.

18 **NLH-NP-005 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 19 **November 23, 2023, app. C, p. 1/22**

20 Table 3-1 of Newfoundland Power’s “2025/2026 General Rate Application”⁶ states a
 21 2024E forecast of \$735,704,000 in Revenue from Rates without any of the 2025/2026
 22 General Rate Application proposals implemented.

- 23 a) Using the table provided, please reconcile the 2024E Forecast from
 24 Newfoundland Power’s “2025/2026 General Rate Application” (in the ‘Existing’
 25 column) with the revised 2024 Revenue Requirement of \$711,080,000 from

⁴ “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc., November 23, 2023, sec. 4.0, p. 5.

⁵ “2022/2023 General Rate Application,” Newfoundland Power Inc., rev. December 7, 2021 (originally filed May 7, 2021).
 <<http://pub.nl.ca/applications/NP2022GRA/apps/From%20NP%20-%202022-2023%20General%20Rate%20Application%20-%20Amended%20Application%20-%202021--12-07.PDF>>.

⁶ “2025/2026 General Rate Application,” Newfoundland Power Inc., November 9, 2023, vol. I, tab B, sec. 3.2.1, Table 3-1, p. 3-3.
 <<http://pub.nl.ca/applications/NP2025GRA/app/From%20NP%20-%202025-2026%20General%20Rate%20Application%20-%20Volume%201%20-%202023-11-09.PDF>>.

1 Appendix C of Newfoundland Power’s “2024 Rate of Return on Rate Base
 2 Application” (in the ‘Proposed’ column).

	Existing	Proposed	Difference	Price Elasticity	Proposed Increase
Revenue from Rates					
Rate Stabilization Account					
Municipal Tax Account					
Total					

3 **b)** Please explain why Newfoundland Power must increase rates by 1.5% to collect
 4 a revised 2024 Revenue Requirement of \$711,080,000, as shown in Appendix C
 5 of its “2024 Rate of Return on Rate Base Application.”

6 **NLH-NP-006 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 7 **November 23, 2023.**

8 Please confirm that the proposed 2024 Rate has not been adjusted to mitigate any
 9 elasticity effects and that additional revenue requirement was not added to offset the
 10 price elasticity impact. If it has, please explain the rationale for doing so.

11 **NLH-NP-007 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 12 **November 23, 2023.**

13 **a)** Would Newfoundland Power consider utilizing the 2023F Excess Earnings in
 14 Table 3-1 of its “2025/2026 General Rate Application”⁷ to reduce revenue
 15 requirements in 2024? Why or why not?

16 **b)** What are the drivers of the excess earnings in 2023 and what is the impact of
 17 these drivers in future years, specifically 2024?

18 **NLH-NP-008 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 19 **November 23, 2023.**

20 What is Newfoundland Power’s total estimated July 1, 2024 increase, inclusive of the
 21 proposed 2024 Revised Revenue Requirement, Rate Stabilization Account, and Municipal
 22 Tax Account Adjustments?

⁷ Ibid.

1 Please outline by component as follows:

	Existing	Change	Proposed
Revenue from Rates			
Rate Stabilization Account			
Municipal Tax Account			
Customer Billings			
Total Change (\$)			
Total Rate Impact (%)			

2 **NLH-NP-009 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 3 **November 23, 2023, app. B.**

4 In Board Order No. P.U. 16(2019), the Board of Commissioners of Public Utilities approved
 5 Newfoundland and Labrador Hydro’s application to increase rate base outside of a test
 6 year.

7 Hydro shall continue to use the currently approved method to
 8 determine rate base, including beginning-of-year and end-of-year
 9 averaging for capital assets in service. Hydro may apply to the Board for
 10 a different treatment of significant capital additions on a case-by-case
 11 basis.⁸

12 **a)** Please explain why it is appropriate for Newfoundland Power to receive an
 13 increase to the total rate base outside of a test year.

14 **b)** Please provide a listing of utilities across Canada that receive an adjustment to
 15 average rate base outside of a test year

16 **c)** Please provide supporting analysis that receiving an increase to total rate base
 17 outside of a test year is consistent with utility practice across Canada.

18 **NLH-NP-010 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
 19 **November 23, 2023.**

20 Newfoundland Power is forecasting excess earnings in 2023. This would result in
 21 Newfoundland Power being above the high end of their band on a reasonable rate of
 22 return and being required to refund customers.

⁸ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 16(2019), Board of Commissioners of Public Utilities, May 7, 2019, p. 44/3–6.

1 Please explain why Newfoundland Power believes that it is appropriate to request a rate
2 increase at this time for higher costs related to rate base and debt costs but does not
3 consider other financial impacts that may result in the cost savings that led Newfoundland
4 Power to forecast excess earnings in 2023.

DATED at St. John's, in the Province of Newfoundland and Labrador this 11th day of December, 2023.



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