

1 **Q. Reference: Newfoundland Power’s response to PUB-NP-004 of this proceeding**

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3 **Newfoundland Power’s jurisdictional scan demonstrates that utilities in Ontario and**
4 **Alberta employing a performance-based regulation rate setting approach adjust their**
5 **rates through a comprehensive amendment of their Cost of Service, which**
6 **incorporates inflationary and efficiency adjustments. The utility in British Columbia**
7 **conducts a wide-ranging evaluation of its Cost of Service and modifies rates to reflect**
8 **changes each year. The utilities in Atlantic Canada that employ a pure Cost of Service**
9 **rate setting approach, generally leave the costs associated with their test years**
10 **unchanged.**

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12 **Newfoundland and Labrador Hydro observes that through the varying rate setting**
13 **approaches identified in the jurisdictional scan, the utilities generally make**
14 **comprehensive changes to their costs between test years, or none. These methodologies**
15 **are in contrast to Newfoundland Power’s approach, where adjustments were made to**
16 **the forecast rate base and return on rate base without testing changes in other**
17 **components of revenue requirement.**

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19 **Please explain why Newfoundland Power believes that its specific modification to**
20 **revenue requirement aligns with the rate setting methodologies outlined in the**
21 **jurisdictional scan.**

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23 **A.** In Order No. P.U. 3 (2022), the Board ordered, among other things, that Newfoundland
24 Power file an application on or before November 15, 2023 for approval of the Company’s
25 2024 forecast average rate base and rate of return on rate base, maintaining the common
26 equity ratio and return on common equity accepted for rate setting in that Order.¹

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28 Newfoundland Power’s application is filed in compliance with the Board’s order and is
29 not based on rate-setting approaches in other jurisdictions.² The Company observes that
30 the Board’s consideration of cost recovery between test years is consistent with past
31 practice of the Board for both Newfoundland Power and Newfoundland and Labrador
32 Hydro.³

¹ See Order No. P.U. 3 (2022), page 20, lines 17-20.

² With respect to revisions to customer rates outside of a test year, the Board has recognized that such revisions may be required based on the approval of a new rate of return on rate base in the year subsequent to a test year. For example, see Order No. P.U. 13 (2013) wherein the Board provided that the Company may file for approval of a revised *Schedule of Rates, Tolls and Charges* to reflect the revisions required to its 2015 rate of return on rate base by that order.

³ See, for example, Order Nos. P.U. 40 (2005), P.U. 39 (2006), P.U. 30 (2010), P.U. 22 (2011), P.U. 17 (2012), P.U. 8 (2021) and P.U. 33 (2021). These examples are in addition to the Board’s consideration of Newfoundland Power’s return on rate base between test years since 1998. See the *Application, 2024 Rate of Return on Rate Base, 2.0 Regulatory Practice* for further information.