

1 (Reference Wholesale Rate Flow-Through Report)
2

- 3 **Q. a) Does the proposed wholesale rate move NP from the current situation where it**
4 **under-collects revenues when demand is greater than forecast in the 2019 Test**
5 **Year leading to a July 1 rate increase for NP retail customers, to a situation**
6 **where NP over-collects revenues when demand is greater than forecast in the**
7 **2019 Test Year leading to a July 1 rate decrease for NP retail customers**
8 **(ignoring other components of the July 1 rate adjustment)?**
9 **b) More specifically, does NP currently pay about 18 cents/kWh for power**
10 **purchases above the 2019 Test Year forecast while collecting about 14**
11 **cents/kWh in revenues from its Domestic customer class for a net loss of about 4**
12 **cents/kWh, whereas under the proposed wholesale rate, NP will pay about 5.5**
13 **cents/kWh for power purchases above the 2019 Test Year forecast while**
14 **collecting about 14 cents/kWh from its Domestic customer class for a net gain of**
15 **about 8.5 cents/kWh?**
16 **c) Since the absolute value of the difference between the wholesale rate and the**
17 **Domestic rate would be larger, wouldn't that create the potential for greater**
18 **volatility?**

- 19
20 **A. a) When Newfoundland Power's base customer rates are determined as part of a general**
21 **rate application process, they include an average wholesale energy supply cost.¹ The**
22 **current average wholesale energy supply cost is 6.940 ¢/kWh, which is based on the**
23 **Company's 2023 test year.²**
24

25 Any variance in actual energy purchases from the level forecasted in the test year is
26 costed at the second block wholesale energy rate charged by Hydro to Newfoundland
27 Power. The current second block wholesale energy rate is 18.165 ¢/kWh. The
28 monthly variance in power supply energy costs as a result of the difference in the
29 second block wholesale energy rate charged by Hydro compared to the average
30 wholesale energy supply cost included in base customer rates is captured in the
31 Company's Energy Supply Cost Variance ("ESCV") account.³ The ESCV account
32 was created to ensure Newfoundland Power does not receive any gain, or loss, as a
33 result of the difference between the Company's average energy supply cost and the
34 second block wholesale energy rate charged by Hydro to Newfoundland Power.⁴
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36 The total variance for the calendar year in the ESCV account is transferred to the
37 Company's Rate Stabilization Account on December 31st of each year and is included
38 in the annual July 1st rate adjustment in the subsequent year.

¹ Newfoundland Power's base customer rates are based on its test year revenue requirements, which include power supply costs. The Company's customer rates are designed to recover the average test year cost of supplying energy to its customers.

² The 6.940 ¢/kWh figure was determined by dividing total 2023 test year purchased power energy costs by total energy purchases.

³ The ESCV account is specific to cost variances related to wholesale power supply energy costs. The Demand Management Incentive Account captures annual variances related to demand costs.

⁴ The ESCV was first approved in Order No. P.U. 32 (2007) and continued by Order No. P.U. 43 (2009).

- 1 Table 3 in the *Wholesale Rate Flow-Through Report* details the energy supply cost
2 variance under both the current and revised wholesale rate scenarios based on the
3 2026 test year. As shown in the table, the revised wholesale rate includes a second
4 block rate that is closer to the average energy supply cost in base customer rates. As a
5 result, the revised wholesale rate provides for less customer rate volatility associated
6 with the annual July 1st rate adjustment when compared to the current wholesale rate.
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8 b) See part a).
9
10 c) See part a).