

- 1 **Q. (Reference Application, 2025 Capital Budget Overview, page 10) It is stated**
 2 **“The capital projects proposed in the Application are estimated to increase**
 3 **the Company’s annual revenue requirement by approximately \$8 million on a**
 4 **pro forma basis. The estimate includes increases in depreciation, return on**
 5 **rate base and income taxes and excludes customer benefits associated with**
 6 **proposed capital projects that provide for lower operating and purchased**
 7 **power costs included in Newfoundland Power’s revenue requirement.” It goes**
 8 **on to say that proposed refurbishments at Cape Broyle, Horsechops, Mobile**
 9 **and Lockston hydro plants and the proposed LED street lighting replacement**
 10 **project are estimated to reduce NP’s annual revenue requirement by about**
 11 **\$11 million on a pro forma basis.**
- 12 **a) Please decompose the \$11 million into the amounts associated with each**
 13 **one of the hydro plants and the LED street lighting replacement project.**
- 14 **b) Are the proposed refurbishments at Cape Broyle, Horsechops, Mobile and**
 15 **Lockston hydro plants and the proposed LED street lighting replacement**
 16 **project the only projects/programs included in the 2025 CBA that are**
 17 **expected to reduce the revenue requirement? Is the \$11 million figure net**
 18 **of capital costs for these projects?**
- 19 **c) Based on this information, what is the expected overall impact on**
 20 **customer rates owing to the 2025 CBA?**
- 21 **d) Based on this information, can customers expect a rate decrease owing to**
 22 **the 2025 CBA, and if so, how much?**
- 23 **e) Has the reduction in revenue requirement been reflected in NP’s revenue**
 24 **requirement forecast in the 2025-2026 GRA which shows an increase in**
 25 **operating costs of 11.4% from 2023 to the 2026 test year?**
- 26 **f) By how much will the 2025 CBA increase NP’s rate base and profits?**
- 27
- 28 **A. a) Table 1 provides the requested breakdown.**

| Table 1: <i>Pro forma</i> Customer Benefits (\$millions) | |
|--|---------------|
| Project | Estimate |
| LED Street Lighting Replacement | (1.3) |
| Mount Carmel Pond Dam Refurbishment ¹ | (6.4) |
| Mobile Hydro Plant Penstock Refurbishment | (2.8) |
| Lockston Substation Refurbishment and Modernization | (0.4) |
| | <u>(10.9)</u> |

¹ The Mount Carmel Pond Spillway and outlet gate are part of the Cape Broyle – Horse Chops Hydroelectric Development.

1 b) The Request for Information misquotes Newfoundland Power's evidence.

2
3 The evidence states:

4
5 *"The proposed refurbishments associated with the Company's Cape Broyle,*
6 *Horsechops, Mobile and Lockston hydro plants included in the Application will*
7 *result in the continued provision of low-cost electricity production to customers.*
8 *Further, the proposed LED Street Lighting Replacement project will provide for*
9 *the full realization of the lower operating and purchased power costs*
10 *contemplated by the six-year LED Street Lighting Replacement plan. The*
11 *estimate of these customer benefits on Newfoundland Power's annual revenue*
12 *requirement is approximately \$11 million on a pro forma basis."*²

13
14 Consistent with the evidence, the approval of these projects will allow the associated
15 customer benefits to continue to be realized in customer rates, as opposed to being
16 a reduction in customer rates on a go forward basis.

17
18 The *LED Street Lighting Replacement* customer benefit is based on the operating
19 and purchased power cost savings.

20
21 The proposed refurbishments associated with the Company's Cape Broyle,
22 Horsechops, Mobile and Lockston hydro plants included in the Application will result
23 in the continued provision of low-cost energy to customers, thereby avoiding the
24 need to purchase more expensive replacement production. The customer benefit
25 associated with the continued operation of these hydro plants is estimated to be
26 approximately \$9.6 million in lower annual revenue requirement, which is based on
27 the net present value analyses associated with these plants.³

28
29 c) The capital projects proposed in the Application are estimated to increase the
30 Company's annual revenue requirement by approximately \$8 million on a *pro forma*
31 basis.⁴ This impact translates into a customer rate estimate of 0.9%.⁵

32
33 d) See parts b) and c).

34
35 e) See part b).

36
37 f) The forecast increase in average rate base from 2024 to 2025 forecast is \$47.7
38 million. The estimated impact on Newfoundland Power's return on equity for 2025 is
39 \$1.8 million.⁶

² See Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview*, section 2.3.3 *Customer Rates*, page 10.

³ The net present value analyses include the customer benefits net of operating and capital related revenue requirements.

⁴ See Newfoundland Power's *2025 Capital Budget Application, 2025 Capital Budget Overview*, section 2.3.3 *Customer Rates*, page 10.

⁵ \$ 8 million / existing customer rates of \$884 million = 0.9%.

⁶ The change in average rate base of \$47.7 million x 45% x 8.5% = \$1.8 million.