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NEWFOUNDLAND POWER
A FORTIS COMPANY

December 13, 2023

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: 2025/2026 General Rate Application – Additional Information

By way of a letter dated November 27, 2023, the Board directed Newfoundland Power Inc. ("Newfoundland Power" or the "Company") to file further additional information in relation to its *2025/2026 General Rate Application.*

Please find enclosed the additional information requested in the Board's letter dated November 27, 2023. The detailed information as to customer rate impacts and rate stabilization account balances for 2025 and 2026 for the two different approaches to the recovery of wholesale power supply costs is provided in Schedule A. The forecast cost and sales comparison tables including 2022 and 2023 test year data are provided in Schedule B.

We trust you will find the enclosed to be in order. Please contact the undersigned with any questions.

Yours truly,

Lindsay Hollett

Lindsay Hollett
Senior Legal Counsel &
Assistant Corporate Secretary

Enclosures

ec. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, K.C.
Browne Fitzgerald Morgan & Avis

Newfoundland Power Inc.
55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6
PHONE (709) 737-5364 • FAX (709) 737-2974 • **lhollett@newfoundlandpower.com**

PUB Information Request (i)

Customer rate impacts and rate stabilization account balances for 2025 and 2026, including financing charges, for the two different approaches to the recovery of wholesale power supply costs.

A. Background

The current wholesale rate charged by Newfoundland and Labrador Hydro ("Hydro") to Newfoundland Power Inc. ("Newfoundland Power" or the "Company") includes a billing demand charge and energy charges per kWh, divided into a first block and second block. The wholesale rate is designed so that any change in energy purchases from the level set in Hydro's last general rate application ("GRA") are charged at the second block rate. The current second block energy rate of 18.165¢ per kWh is based on the cost of fuel burned at the Holyrood thermal generating station ("Holyrood"), which was the marginal cost of energy when the wholesale rate was approved by the Board in Order No. P.U. 30 (2019).[1]

The Muskrat Falls Project was fully commissioned in April 2023. Since Newfoundland and Labrador is now interconnected to the North American grid, Hydro has the ability to import energy from, and sell energy to, other jurisdictions. Therefore, opportunity costs associated with importing and exporting energy to these jurisdictions is now considered Hydro's marginal cost of energy.[2] These opportunity costs are significantly lower than the marginal cost of fuel at Holyrood. For example, based on a weighted average of marginal energy costs for 2026 included in Hydro's *Marginal Cost Projection 2024 – 2040* dated December 31, 2022 (the "Marginal Cost Projection"), the marginal cost of energy is forecast to be approximately 4.5¢ per kWh in 2025 and 3.5¢ per kWh in 2026.[3]

The Provincial Government has launched a number of electrification initiatives since existing rates were established. These electrification initiatives have the effect of raising revenues, identified by the government as one means by which to manage electricity rates.[4] These initiatives include converting government buildings from oil to electric and offering rebates for the conversion of residential homes from oil to electric and for the purchase of electric vehicles.

Significant government electrification initiatives are also planned through the 2024 to 2026 forecast period. Beyond the continuation of the residential oil to electric rebate program, Memorial University's ("MUN") conversion of its oil boilers to electric is expected to be completed in the latter part of 2024. The Provincial Government indicates the conversion could

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1 The current wholesale rate was approved by the Board in Order No. P.U. 30 (2019) as part of Hydro's *2017 General Rate Application* and became effective October 1, 2019.

2 See Newfoundland and Labrador Hydro's *Marginal Cost Study Update – 2021, Summary Report*, March 7, 2022, page 3, lines 7-16.

3 See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 4 Rate Base & Revenue Requirement,* pages 4-8 to 4-11 for further information and analysis.

4 See, for example, the Provincial Government's April 2019 publication, *Protecting You from the Cost Impacts of Muskrat Falls*, *Raising Revenues*, on pages 11 and 12. Revenues are raised by energy being sold domestically at a higher price compared to the export price.

raise $10.6 million in revenue.[5] Following the conversion, MUN's electric boilers are forecast to add over 100 GWh in each of 2025 and 2026 to the Company's purchased energy requirements. If the current second block rate is still in place in those years, the cost of the purchased energy will more than offset the additional revenues.[6]

Newfoundland Power expects that the wholesale rate will be changed as part of Hydro's next GRA, which may be filed as early as the latter half of 2024.[7] The new wholesale rate is expected to include a second block energy rate that reflects lower marginal energy costs.[8] The Company has had initial discussions with Hydro to begin to work towards the implementation of a new wholesale rate.

In Newfoundland Power's view, delays in government finalization of rate mitigation and Hydro's GRA filing have resulted in the unintended consequence of having electrification load costed at 18.165¢ per kWh for an extended period of time after Muskrat Falls commissioning. Given the benefits a new wholesale rate will have for customers, the Company anticipates that a new wholesale rate will be implemented as soon as it is feasible to do so.[9]

For these reasons, Newfoundland Power believes it is likely that a new wholesale rate will be implemented as early as January 1, 2025 and no later than January 1, 2026. As such, the Company submits that its approach to not rebase power supply energy costs in its 2025 and 2026 test years is reasonable.[10]

The following two sections provide the information requested by the Board with respect to: (i) revenue requirement and customer rate impacts; and (ii) rate stabilization account ("RSA") balances and related finance charges for the two different approaches to the recovery of wholesale power supply energy costs (described as Scenarios A and B).

Scenario A does not rebase power supply energy costs in 2025 and 2026, consistent with Newfoundland Power's 2025/2026 GRA filing. In this scenario, the current wholesale second block rate of 18.165¢ per kWh is used to forecast the RSA transfers.

Scenario B rebases power supply energy costs effective July 1, 2025. The rebasing impact is determined using the current wholesale second block rate of 18.165¢ per kWh.

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5 Ibid.

6 To illustrate, 100 GWh x 18.165¢ per kWh = estimated purchased energy costs of $18.2 million per year.

7 In its September 29, 2023 letter *Re: Quarterly Update – Items Impacting the Delay of Hydro's Next General Rate Application*, Hydro provided that it expects the earliest timeframe for its next GRA to be the latter half of 2024. The delay in Hydro's GRA is due in part to completion of the Provincial Government's rate mitigation plan, which could impact the overall revenue to be recovered by Hydro in a new wholesale rate. The Provincial Government has taken initial steps in its rate mitigation plan. See the Provincial Government's news release: *Implementing Initial Steps of Rate Mitigation*, March 31, 2023.

8 See, for example, Hydro's *Wholesale and Island Industrial Rate Design Review Update Report* filed with the Board on September 30, 2019.

9 If Hydro's GRA continues to experience delays, Newfoundland Power believes that it may also be possible for Hydro to file a separate filing to change the wholesale rate ahead of its next GRA.

10 For 2025, rebasing of power supply costs would occur following the implementation of its customer rates proposed to be effective July 1, 2025.

For *Section C RSA Balance and Interest Impact Analysis*, the Company has also included Scenario C, which also reflects not rebasing power supply energy costs in 2025 and 2026. The scenario is provided to illustrate what the RSA transfers could potentially be if a new wholesale rate is implemented by July 1, 2025 with a second block rate that reflects the marginal cost of energy as outlined in Hydro's Marginal Cost Projection.

B. Revenue Requirement and Customer Rate Impact Analysis

Attachment 1 to this information request provides revenue requirement and customer rate impact analysis for both Scenario A and Scenario B.

Table 1 summarizes the revenue requirement and customer rate impacts under each scenario.

Table 1
Wholesale Power Supply Cost Rebasing Scenarios
***Pro Forma* Revenue Requirement and Customer Rate Impacts**
($millions)

	2026 TY
Scenario A - No Rebasing	
Revenue requirement[11]	790
Customer rate increase[12]	5.5%
Scenario B - Rebasing[13]	
Revenue requirement	825
Customer rate increase	9.8%
Differences (Scenario B versus Scenario A)	
Revenue requirement	35
Customer rate increase	4.3%

If wholesale power supply energy costs were rebased as part of Newfoundland Power's GRA, the overall average customer rate increase would be an estimated 9.8%, which is 4.3% higher than the Company's proposed customer rate increase of 5.5%.

[11] See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 7, page 2 of 2.*

[12] See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Exhibit 10.*

[13] See Attachment 1 to this information request for detailed analysis on the revenue requirement and customer rate impacts under the wholesale power supply energy cost rebasing scenario.

C. RSA Balance and Interest Impact Analysis

Table 2 provides *pro forma* RSA balance and interest impacts under Scenario A and B. It also includes an additional scenario, Scenario C, to illustrate what RSA balance and interest impacts may be if wholesale power supply energy costs are not rebased and a new wholesale rate is implemented July 1, 2025.

Energy Supply Cost Variance balances are transferred to the RSA annually on December 31st and form part of the March 31st RSA balance in the subsequent year. The March 31st RSA balance is used to determine the annual July 1st rate adjustment. As such, RSA balance and interest impacts as of March 31st in each of 2026 and 2027 have been provided to show the impacts of rebasing 2025 and 2026 power supply energy costs.

Table 2
Wholesale Power Supply Cost Rebasing Scenarios
***Pro Forma* RSA Balance and Interest Impacts**
($millions)

	Year Ended, March 31, 2026	Year Ended, March 31, 2027
Scenario A - No Rebasing		
RSA balance	52	45
RSA Interest[14]	4.1	3.5
Scenario B - Rebasing		
RSA balance	36	3
RSA Interest	3.5	1.4
Scenario C - No Rebasing (new second block rate)[15]		
RSA balance	33	(10)
RSA Interest	3.4	0.8
RSA Balance Differences (versus Scenario A)		
Scenario B minus Scenario A	(16)	(42)
Scenario C minus Scenario A	(19)	(55)
RSA Interest Differences (versus Scenario A)		
Scenario B minus Scenario A	(0.6)	(2.1)
Scenario C minus Scenario A	(0.7)	(2.7)

[14] For each scenario, RSA interest is estimated by multiplying the average RSA balance by the proposed 2026 test year rate of return on rate base of 7.21%. The estimated RSA balance as of March 31, 2025 is $61 million.

[15] To estimate Energy Supply Cost Variance transfers to the RSA in 2025, a second block energy rate of 4.5¢ per kWh was used, effective July 1, 2025. To estimate Energy Supply Cost Variance transfers to the RSA in 2026, a second block energy rate of 3.5¢ per kWh was used.

If power supply energy costs were rebased in the 2025 and 2026 test year revenue requirements, RSA balances would be an estimated $16 million and $42 million lower as of March 31st 2026 and 2027, respectively. Related RSA interest charges would be an estimated $0.6 million and $2.1 million lower in the years ended March 31st, 2026 and 2027, respectively.

In a scenario where power supply costs are not rebased and a new wholesale rate is implemented by July 1, 2025, RSA balances may be an estimated $19 million and $55 million lower as of March 31st 2026 and 2027, respectively.[16] Related RSA interest charges would be an estimated $0.7 million and $2.7 million lower in the years ended March 31st, 2026 and 2027, respectively.

D. Conclusion

There is uncertainty surrounding 2025 and 2026 power supply energy costs. Depending on when a new wholesale rate is implemented, the impact on power supply energy costs in 2025 and 2026 could be material.

In Newfoundland Power's view, it is likely that a new wholesale rate will be implemented as early as January 1, 2025 and no later than January 1, 2026. As such, the Company submits that its approach to not rebase power supply energy costs in its 2025 and 2026 test years is reasonable.

In an unlikely situation where the current wholesale rate remains in place through 2026 with excess energy requirements being costed at 18.165¢ per kWh, cost recovery would be delayed by 18 months in the Company's proposed approach, versus rebasing power supply energy costs in its GRA. The customer rate impact on the interest associated with that delayed recovery is estimated to be a 0.1% increase in 2026 and a 0.2% increase in 2027.[17]

[16] The lower RSA balances would be the result of lower Energy Supply Cost Variance transfers on December 31st in each of 2025 and 2026. For an illustration of the impact of a second block rate based on Hydro's Marginal Cost Projection could have on Energy Supply Cost Variance transfers, see Table 4-10 in the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 4 Rate Base & Revenue Requirement,* page 4-9.

[17] RSA interest is determined on actual monthly balances and recovered through the annual July 1st rate adjustment. The estimated rate impacts are based on interest differences outlined in Table 2 for Scenario B versus Scenario A of $0.6 million and $2.1 million, respectively.

***Pro Forma* 2026 Revenue Requirement and Customer Rate Impacts**
Scenario A and Scenario B

Newfoundland Power Inc.
***Pro Forma* 2026 Revenue Requirement and Customer Rate Impacts**
Scenario A and Scenario B
($000s)

		Scenario A (Proposed)[1]	Scenario B (Rebasing)[2]
Estimated Revenue Requirement Impacts			
Costs			
Power Supply Cost		522,388	522,388
Operating Costs		84,940	84,940
Employee Future Benefit Costs		1,812	1,812
Deferred Cost Recoveries and Amortizations		9,888	10,140
Depreciation		86,691	86,691
Income Taxes		27,541	27,618
		733,260	733,589
Return on Rate Base		104,667	104,187
2026 Revenue Requirement		837,927	837,776
Adjustments			
Other Revenue		(6,860)	(6,860)
Interest on Security Deposits		72	72
Energy Supply Cost Variance Adjustments		(35,495)	-
Other Transfers to RSA		(6,042)	(6,042)
		(48,325)	(12,830)
2026 Revenue Requirement from Rates	**A**	**789,602**	**824,946**
Estimated Customer Rate Impacts			
Existing revenue requirement	B	750,723	750,723
Change in revenue requirement	**C = B - A**	**38,879**	**74,223**
Customer billing effects (RSA, MTA, price elasticity)	D	6,677	7,622
Total change in customer billings	**E = C + D**	**45,556**	**81,845**
Existing customer billings[3]	F	835,762	835,762
Customer rate impact	**G = E / F**	**5.5%**	**9.8%**

[1] Scenario A is based on not rebasing power supply energy costs in 2025 and 2026 as reflected in Newfoundland Power's 2025/2026 GRA. See Newfoundland Power's *2025/2026 General Rate Application, Volume 1, Exhibit 7, page 2 of 2.*

[2] Scenario B is based on rebasing power supply energy costs effective July 1, 2025. The rebasing impact is based on the current wholesale end block rate of 18.165¢ per kWh. The analysis excludes price elasticity effects associated with the additional rate impact resulting from the rebasing of power supply energy costs.

[3] Existing rates include higher rate revenue in 2026 associated with the July 1, 2024 rate change proposed in the Company's *2024 Rate of Return on Rate Base Application* .

PUB Information Request (ii)

The most recently approved Test Year cost and Test Year sales data included with forecast cost and sales data provided in the GRA filing, specifically in the tables provided for comparison purposes.

Newfoundland Power's last general rate application included 2022 and 2023 test years. Attachments 1 through 6 provide cost and sales data from those test years along with the forecast cost and sales data included in the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits,* (the "Application"). The Company's financial forecasts under existing customer rates include the impact of the proposals in Newfoundland Power's *2024 Rate of Return on Rate Base Application* filed with the Board on November 23, 2023.

Section 2 Data Tables Including 2022 and 2023 Test Year Figures

Section 2 Data Tables Including 2022 and 2023 Test Year Figures

The following provides data tables in the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2* with 2022 and 2023 test year figures included.

Table 2-3 provides Newfoundland Power's gross operating costs from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-3:
Gross Operating Costs
2022 to 2026F
($000s)

2022TY	2023TY	2022	2023F	2024F	2025F	2026F
66,482	68,956	70,530	72,492	76,838	79,083	81,603

Table 2-4 summarizes Newfoundland Power's operating costs by three functional categories from 2022 to 2026F: (i) electricity supply; (ii) customer services; and (iii) general including 2022 and 2023 test year figures.

Table 2-4:
Operating Costs by Function
2022 to 2026F
($000s)

Function	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Electricity Supply	28,705	30,106	31,578	31,730	32,690	33,794	34,876
Customer Services	11,096	11,257	10,681	11,177	11,319	11,700	12,074
General	26,681	27,593	28,271	29,585	32,829	33,589	34,653
Total	**66,482**	**68,956**	**70,530**	**72,492**	**76,838**	**79,083**	**81,603**

Table 2-5 shows operating costs associated with the electricity supply category by function from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-5:
Operating Costs – Electricity Supply
2022 to 2026F
($000s)

Function	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Distribution	9,487	9,741	11,295	10,755	11,102	11,500	11,919
Transmission	978	999	1,143	1,142	1,171	1,200	1,231
Substations	2,422	2,487	2,317	2,344	2,421	2,511	2,604
Power Produced	4,027	4,122	4,009	4,093	4,210	4,337	4,470
Administration and Engineering Support	8,433	9,341	8,929	9,429	9,700	10,054	10,425
Telecommunications	1,374	1,397	1,491	1,565	1,633	1,662	1,679
Environment	289	296	203	294	304	346	328
Fleet Operations and Maintenance	1,695	1,723	2,191	2,108	2,149	2,184	2,220
Total	**28,705**	**30,106**	**31,578**	**31,730**	**32,690**	**33,794**	**34,876**

Table 2-6 provides costs associated with the customer service category by function from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-6:
Operating Costs – Customer Services
2022 to 2026F
($000s)

Function	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Customer Service	8,038	8,103	8,069	8,259	8,305	8,605	8,919
Energy Solutions	886	946	585	873	828	873	897
Uncollectible Bills	2,172	2,208	2,027	2,045	2,186	2,222	2,258
Total	**11,096**	**11,257**	**10,681**	**11,177**	**11,319**	**11,700**	**12,074**

Table 2-7 provides costs associated with the general category by function from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-7:
Operating Costs – General
2022 to 2026F
($000s)

	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Information Systems	6,407	7,311	6,430	7,264	8,172	8,724	9,150
Financial Services	1,942	1,997	1,777	2,128	3,180	3,082	2,668
Corporate and Employee Services	16,026	15,940	17,850	17,765	18,856	19,010	19,903
Insurances	2,306	2,345	2,214	2,428	2,621	2,773	2,932
Total	**26,681**	**27,593**	**28,271**	**29,585**	**32,829**	**33,589**	**34,653**

Table 2-8 provides the breakdown of operating costs from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-8:
Operating Costs by Breakdown
2022 to 2026F
($000s)

	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Labour	37,001	38,793	39,037	38,992	40,429	42,079	43,882
Other	29,481	30,163	31,493	33,500	36,409	37,004	37,721
Total	**66,482**	**68,956**	**70,530**	**72,492**	**76,838**	**79,083**	**81,603**

Table 2-9 provides a breakdown of labour costs from 2022 to 2026F including 2022 and 2023 test year figures.

Table 2-9:
Labour Costs by Breakdown
2022 to 2026F
($000s)

	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Regular and Standby	31,651	33,148	34,794	34,820	36,099	37,557	39,156
Temporary	2,050	2,108	541	665	691	721	754
Overtime	3,300	3,537	3,702	3,507	3,639	3,801	3,972
Total	**37,001**	**38,793**	**39,037**	**38,992**	**40,429**	**42,079**	**43,882**

Table 2-10 provides capital expenditures by asset class from 2022 to 2026F including 2022 and 2023 test year figures.[1]

Table 2-10:
Capital Expenditures by Asset Class
2022 to 2026F
($000s)

	2022TY	2023TY	2022[2]	2023F[3]	2024F	2025F	2026F
Distribution	47,744	51,456	50,434	53,671	55,865	55,033	56,938
Substations	11,639	17,581	14,196	20,720	22,171	20,824	23,299
Transmission	12,892	12,486	15,587	12,284	15,064	13,488	15,109
Generation	2,769	11,527	2,635	9,811	5,640	8,318	13,058
General Property	2,660	4,816	2,855	2,505	2,340	2,960	3,065
Transportation	3,089	4,239	3,089	4,968	3,806	4,867	4,839
Telecommunications	564	1,266	571	1,268	502	925	328
Information Systems	21,044	11,700	21,493	12,940	6,180	11,019	9,575
Total	**102,401**	**115,071**	**110,860**	**118,167**	**111,568**	**117,434**	**126,211**

1 Table 2-10 does not include the allowance for unforeseen items or general expenses capitalized. Forecast capital expenditures for 2024 through 2026 reflect the Company's *2024-2028 Capital Plan* included with Newfoundland Power's *2024 Capital Budget Application.* Capital expenditures for 2022 include expenditures related to approved projects that were completed in subsequent years.

2 The Company's *2022 Capital Budget Application* was approved in Order No. P.U. 36 (2021).

3 The Company's *2023 Capital Budget Application* was approved in Order No. P.U. 38 (2022). The *2023 Supplemental Capital Expenditure Application* was approved in Order No. P.U. 14 (2023).

Section 3 Data Tables Including 2022 and 2023 Test Year Figures

Section 3 Data Tables Including 2022 and 2023 Test Year Figures

The following provides data tables in the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 3* with 2022 and 2023 test year figures included.

Table 3-1 shows energy sales and electricity revenue from 2022 to 2026E, excluding the proposals in the Application and including 2022 and 2023 test year figures.[1]

Table 3-1:
Energy Sales and Electricity Revenue[2]
2022 to 2026E

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Energy Sales							
Energy Sales (GWh)	5,699.3	5,661.6	5,784.5	5,949.2	5,981.4	6,034.1	6,026.3
Sales Change (%)	(0.4)	(0.7)	1.2	2.8	0.5	0.9	(0.1)
Electricity Revenue ($000s)							
Revenue from Rates	704,861	699,245	715,444	732,809	740,817	751,315	750,723
RSA Transfers	(1,007)	4,581	6,691	36,918	41,533	52,520	45,409
Excess Earnings Account[3]	-	-	-	(5,094)	-	-	-
Total Electricity Revenue	**703,854**	**703,826**	**722,135**	**764,633**	**782,350**	**803,835**	**796,132**

1 References to 2024 through 2026 with the suffix 'E' (e.g. 2024E) reflect forecast results under the Company's existing scenario and exclude the proposals in the Application. The suffix 'P' reflects forecast results that include the proposals in the Application.

2 Forecast energy sales and electricity revenue for 2023F to 2026E are based on the Company's September 2023 sales forecast. The September *2023 Customer, Energy and Demand Forecast* is found in *Volume 2, Supporting Materials, Tab 3*.

3 See *Section 3.2.7 Returns* for a discussion on the forecast Excess Earnings Account for 2023.

Table 3-2 shows other revenue from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-2:
Other Revenue
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Pole Attachment	2,475	2,483	2,483	2,545	2,585	2,622	2,660
Provisioning Work	1,335	1,318	2,086	1,579	1,270	1,015	1,027
Customer Account Interest	1,292	1,277	1,212	1,681	1,311	1,401	1,464
Interest on RSA	(623)	(0)	(1,667)	(24)	3,213	4,296	4,758
Wheeling Charges	753	722	765	723	719	705	704
Miscellaneous	697	673	1,241	918	928	980	1,033
Total	**5,929**	**6,473**	**6,120**	**7,422**	**10,026**	**11,019**	**11,646**

Table 3-3 shows power supply costs from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-3:
Power Supply Costs
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Purchases from Hydro (Normalized)	464,811	459,924	479,373	517,940	522,821	533,716	531,779
Demand Management Incentive Account	-	-	153	(1,000)	-	-	-
Power Supply Costs	**464,811**	**459,924**	**479,526**	**516,940**	**522,821**	**533,716**	**531,779**

Table 3-4 shows depreciation expense from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-4:
Depreciation Expense
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Depreciation	70,932	74,458	70,662	74,869	79,557	83,143	86,691

Table 3-5 shows employee future benefits expense from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-5:
Employee Future Benefits Expense
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Pension Expense	912	(5,168)	(63)	(4,006)	(3,886)	1,098	(1,824)
OPEB Expense	7,833	7,939	7,715	6,769	6,896	7,024	3,636
Total Expense	**8,745**	**2,771**	**7,652**	**2,763**	**3,010**	**8,122**	**1,812**

Table 3-6 shows the components of Newfoundland Power's pension expense from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-6:
Pension Expense
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Defined Contribution Pension Plan	3,057	1,785	3,061	1,663	1,877	2,117	2,306
Defined Benefit Pension Plan	(2,145)	(6,953)	(3,124)	(5,669)	(5,763)	(1,019)	(4,130)
Total Pension Expense	**912**	**(5,168)**	**(63)**	**(4,006)**	**(3,886)**	**1,098**	**(1,824)**

Table 3-7 shows OPEB expense from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-7:
OPEB Expense
2022 to 2026E
($000s)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
OPEB Expense	7,833	7,939	7,715	6,769	6,896	7,024	3,636

Table 3-8 shows average debt, finance charges and average cost of debt from 2022 to 2026E including 2022 and 2023 test year figures.[4]

Table 3-8:
Finance Charges
2022 to 2026E

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Average Debt ($000s)	682,716	708,191	661,762	728,164	789,314	826,322	868,798
Average Cost of Debt (%)	5.08	4.67	5.25	5.11	5.26	5.10	4.99
Finance Charges ($000s)	34,660	33,073	34,767	37,241	41,534	42,166	43,353

[4] Table 3-8 shows regulated finance charges, which exclude interest on security deposits as they are not included in the determination of revenue requirements.

Table 3-9 shows income taxes from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-9:
Income Taxes
2022 to 2026E

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Income Taxes ($000s)	19,047	20,944	19,498	20,020	22,399	20,037	18,010
Effective Income Tax Rate (%)[5]	28.7	29.9	28.9	29.7	30.4	30.5	30.3

Table 3-10 shows the approved, actual and forecast rates of return on rate base, and the actual and forecast rates of return on common equity from 2022 to 2026E including 2022 and 2023 test year figures.

Table 3-10:
Rates of Return
2022 to 2026E
(%)

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Return on Rate Base							
Midpoint (Approved/Proposed)	6.61	6.39	6.61	6.39	6.85	-	-
Actual / Forecast	6.61	6.39	6.72	6.85	6.82	6.24	5.84
Return on Common Equity	8.50	8.50	8.95	8.44	8.44	7.16	6.38

[5] The effective income tax rate reflects enacted tax rates at the time of preparing the Application.

Table 3-11 shows Newfoundland Power's credit metrics from 2022 to 2026E including 2022 and 2023 test year figures.[6]

Table 3-11:
Credit Metrics
2022 to 2026E

	2022TY	2023TY	2022	2023F	2024E	2025E	2026E
Pre-tax Interest Coverage (times)	2.5	2.6	2.5	2.4	2.4	2.2	2.0
Cash Flow Interest Coverage (times)[7]	4.4	4.7	4.4	3.6	2.9	2.9	2.8
Cash Flow Debt Coverage (%)[8]	17.1	17.6	17.4	12.9	10.2	9.6	9.0

[6] Cash flow metrics from 2022 to 2026 are negatively impacted by the combination of the current wholesale rate charged by Hydro and an increase in energy sales. Additional energy requirements are purchased from Hydro at a second block rate of 18.165 ¢/kWh. This is substantially higher than additional sales revenue, which reflects an average supply cost rate of 6.940 ¢/kWh. This dynamic results in a negative impact on operating cash flow pre-working capital. Ultimately, any additional costs are collected from customers via the Company's Energy Supply Cost Variance Clause. This dynamic is temporary as it is anticipated that the second block rate will be substantially lower following Hydro's next GRA, reflecting commissioning of the Muskrat Falls Project.

[7] Excluding the impact of current energy supply cost variances, Newfoundland Power's cash flow interest coverage would be 4.4 times in 2023, 3.8 times in 2024, 3.9 times in 2025, and 3.7 times in 2026.

[8] Excluding the impact of current energy supply cost variances, the Company's cash flow debt coverage would be 17.1% in 2023, 14.7% in 2024, 14.6% in 2025, and 13.6% in 2026.

Section 5 Data Tables Including 2022 and 2023 Test Year Figures

Section 5 Data Tables Including 2022 and 2023 Test Year Figures

The following provides data tables in the Company's *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 5* with 2022 and 2023 test year figures included.

Table 5-2 shows the Company's actual number of customers for 2022 and forecast for 2023F to 2026F including 2022 and 2023 test year figures.

Table 5-2:
Number of Customers
2022 to 2026F

	2022TY	**2023TY**	**2022**	**2023F**	**2024F**	**2025F**	**2026F**
Domestic	237,088	237,945	238,353	239,605	240,595	241,461	242,206
General Service							
0-100 kW (110 kVA)	22,977	23,026	23,069	23,243	23,352	23,453	23,547
110-1000 kVA	1,269	1,269	1,258	1,273	1,273	1,273	1,273
1000 kVA and Over	57	57	59	60	59	59	57[1]
Total General Service	24,303	24,352	24,386	24,576	24,684	24,785	24,877
Street and Area Lighting	10,862	10,868	11,025	11,100	11,165	11,221	11,276
Total Customers	**272,253**	**273,165**	**273,764**	**275,281**	**276,444**	**277,467**	**278,359**

[1] It is anticipated that as some major projects wind down the number of customers with demand greater than 1,000 kVA will be reduced.

Table 5-3 shows the Company's actual energy sales for 2022 and forecast for 2023F to 2026F based on proposed customer rates including 2022 and 2023 test year figures.

Table 5-3:
Energy Sales Forecast
2022 to 2026F
(GWh)

	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Domestic	3,441.4	3,411.9	3,548.0	3,667.0	3,666.9	3,614.6	3,580.0
General Service							
0-100 kW (110 kVA)	796.1	796.6	781.3	790.7	795.5	792.6	795.1
110-1000 kVA	1,029.4	1,028.7	1,034.6	1,064.4	1,069.8	1,072.0	1,070.6
1000 kVA and Over	404.5	399.2	392.6	401.7	426.5	518.5	514.7
Total General Service	2,230.0	2,224.5	2,208.5	2,256.8	2,291.8	2,383.1	2,380.4
Street and Area Lighting	27.9	25.2	28.0	25.4	22.7	20.2	17.9
Total Energy Sales	**5,699.3**	**5,661.6**	**5,784.5**	**5,949.2**	**5,981.4**	**6,017.9**	**5,978.3**

Table 5-4 shows the Company's actual demand for 2022 and forecast for 2023F to 2026F including 2022 and 2023 test year figures.

Table 5-4:
Demand Forecast
2022 to 2026F
(MW)

	2022TY	2023TY	2022	2023F	2024F	2025F	2026F
Native Peak[2]	1,350.3	1,341.4	1,462.7	1,448.2	1,476.3	1,464.9	1,455.2
Purchased[3]	1,220.2	1,211.3	1,344.7	1,318.1	1,346.2	1,334.8	1,325.2
Minimum Billing Demand[4]	1,251.1	1,251.1	1,251.1	1,251.1	1,251.1	1,251.1	1,251.1

2 Native peak is the maximum demand served by Newfoundland Power. The 2022 native peak reflects the 2022-2023 winter season.

3 Purchased demand is the native peak less the 118.054 MW generation credit and curtailment credit provided for in Hydro's wholesale rate structure. Newfoundland Power's curtailment credit was increased from 11 MW to 12 MW in advance of the 2020-2021 winter season and applies if load curtailment was not requested by Hydro at the time of peak.

4 Hydro's Utility Rate includes a Minimum Billing Demand for Newfoundland Power. Newfoundland Power's current Minimum Billing Demand was established following Hydro's 2017 General Rate Application which was approved by the Board in Order No. P.U. 30 (2019). Minimum Billing Demand is 99% of Newfoundland Power's Test Year Native Load (1,392.743 MW) less the Generation Credit (118.054 MW) and Curtailable Credit (11.0 MW) (1,392.743 MW – 118.054 MW – 11.0 MW) x (99%) = 1,251.1 MW. A new Minimum Billing Demand will apply to Newfoundland Power upon the conclusion of Hydro's next general rate application, which is anticipated to be filed with the Board in late 2024.

Exhibit 1 Including 2022 and 2023 Test Year Figures

Newfoundland Power Inc.

Operating Costs by Function
2022 to 2026F Including 2022 and 2023 Test Years
($000s)

	Function	Test Year 2022	Test Year 2023	Actual 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
1	Distribution	9,487	9,741	11,295	10,755	11,102	11,500	11,919
2	Transmission	978	999	1,143	1,142	1,171	1,200	1,231
3	Substations	2,422	2,487	2,317	2,344	2,421	2,511	2,604
4	Power Produced	4,027	4,122	4,009	4,093	4,210	4,337	4,470
5	Administrative and Engineering Support	8,433	9,341	8,929	9,429	9,700	10,054	10,425
6	Telecommunications	1,374	1,397	1,491	1,565	1,633	1,662	1,679
7	Environment	289	296	203	294	304	346	328
8	Fleet Operations and Maintenance	1,695	1,723	2,191	2,108	2,149	2,184	2,220
9								
10	**Electricity Supply**	**28,705**	**30,106**	**31,578**	**31,730**	**32,690**	**33,794**	**34,876**
11								
12	Customer Service	8,038	8,103	8,069	8,259	8,305	8,605	8,919
13	Energy Solutions	886	946	585	873	828	873	897
14	Uncollectible Bills	2,172	2,208	2,027	2,045	2,186	2,222	2,258
15								
16	**Customer Services**	**11,096**	**11,257**	**10,681**	**11,177**	**11,319**	**11,700**	**12,074**
17								
18	Information Systems	6,407	7,311	6,430	7,264	8,172	8,724	9,150
19	Financial Services	1,942	1,997	1,777	2,128	3,180	3,082	2,668
20	Corporate and Employee Services	16,026	15,940	17,850	17,765	18,856	19,010	19,903
21	Insurances	2,306	2,345	2,214	2,428	2,621	2,773	2,932
22								
23	**General**	**26,681**	**27,593**	**28,271**	**29,585**	**32,829**	**33,589**	**34,653**
24								
25	**Gross Operating Cost**	**66,482**	**68,956**	**70,530**	**72,492**	**76,838**	**79,083**	**81,603**

Exhibit 2 Including 2022 and 2023 Test Year Figures

Newfoundland Power Inc.
Operating Costs by Breakdown
2022 to 2026F Including 2022 and 2023 Test Years
($000s)

	Breakdown	Test Year 2022	Test Year 2023	Actual 2022	Forecast 2023	Forecast 2024	Forecast 2025	Forecast 2026
1	Regular and Standby	31,651	33,148	34,794	34,820	36,099	37,557	39,156
2	Temporary	2,050	2,108	541	665	691	721	754
3	Overtime	3,300	3,537	3,702	3,507	3,639	3,801	3,972
4	**Total Labour**	**37,001**	**38,793**	**39,037**	**38,992**	**40,429**	**42,079**	**43,882**
5								
6	Vehicle Expenses	1,702	1,730	2,184	2,101	2,142	2,177	2,212
7	Operating Materials	1,266	1,287	1,254	1,265	1,290	1,311	1,332
8	Inter-Company Charges	27	28	27	27	28	28	29
9	Plants, Substations, System Operations and Buildings	3,434	3,492	3,716	3,750	3,823	3,885	3,948
10	Travel	876	891	1,120	1,148	1,179	1,198	1,217
11	Tools and Clothing Allowance	1,244	1,265	1,372	1,384	1,411	1,434	1,458
12	Miscellaneous	1,568	1,595	1,467	1,608	1,640	1,663	1,691
13	Taxes and Assessments	1,162	1,181	1,388	1,401	1,428	1,451	1,475
14	Uncollectible Bills	2,172	2,208	2,027	2,045	2,186	2,222	2,258
15	Insurance	2,306	2,345	2,214	2,428	2,621	2,773	2,932
16	Severance and Other Employee Costs	131	133	156	157	160	163	166
17	Education, Training and Employee Fees	348	354	396	508	512	520	528
18	Trustee and Directors' Fees	701	712	687	693	760	772	785
19	Other Company Fees	2,868	2,574	2,945	3,572	5,131	4,771	4,672
20	Stationery and Copying	256	260	240	242	247	251	255
21	Equipment Rental and Maintenance	832	897	671	677	690	702	713
22	Telecommunications	1,562	1,588	1,655	1,680	1,748	1,775	1,791
23	Postage	1,244	1,202	1,282	1,221	1,209	1,207	1,203
24	Advertising	525	534	583	600	609	622	632
25	Vegetation Management	2,401	2,441	3,230	3,259	3,323	3,377	3,432
26	Computing Equipment and Software	2,856	3,446	2,879	3,734	4,272	4,702	4,992
27	**Total Other**	**29,481**	**30,163**	**31,493**	**33,500**	**36,409**	**37,004**	**37,721**
28								
29	**Gross Operating Cost**	**66,482**	**68,956**	**70,530**	**72,492**	**76,838**	**79,083**	**81,603**

Exhibit 3 – Statements of Income
Including 2022 and 2023 Test Year Figures

Newfoundland Power Inc.

Financial Performance
2022 to 2026E Including 2022 and 2023 Test Years
Statements of Income
($000s)

		Test Year	Test Year	Actual	Forecast[1]			
		2022	2023	2022	2023	2024E	2025E	2026E
1	Revenue from rates	704,861	699,245	715,444	732,809	740,817	751,315	750,723
2	Transfers from the RSA	(1,007)	4,581	6,691	36,918	41,533	52,520	45,409
3	Excess Earnings Account	-	-	-	(5,094)	-	-	-
4		703,854	703,826	722,135	764,633	782,350	803,835	796,132
5								
6	Purchased power expense	464,811	459,924	479,373	517,940	522,821	533,716	531,779
7	Demand management incentive account adjustments	-	-	153	(1,000)	-	-	-
8		464,811	459,924	479,526	516,940	522,821	533,716	531,779
9								
10	Contribution	239,043	243,902	242,609	247,693	259,529	270,119	264,353
11								
12	Other revenue[2]	5,929	6,473	6,120	7,422	10,026	11,019	11,646
13								
14	Other expenses:							
15	Operating expenses[3]	64,996	70,725	68,869	73,473	78,775	81,394	84,156
16	Employee future benefit costs[4]	8,745	2,771	7,652	2,763	3,010	8,122	1,812
17	Deferred cost recoveries and amortizations	(659)	(816)	(656)	(816)	(6,962)	492	492
18	Depreciation[5]	70,932	74,458	70,662	74,869	79,557	83,143	86,691
19	Finance charges[6]	34,678	33,091	34,790	37,313	41,607	42,240	43,427
20		178,692	180,229	181,317	187,602	195,987	215,391	216,578
21								
22	Income before income taxes	66,280	70,146	67,412	67,513	73,568	65,747	59,421
23	Income taxes[7]	19,047	20,944	19,498	20,020	22,399	20,037	18,010
24								
25	Earnings applicable to common shares[7]	47,233	49,202	47,914	47,493	51,169	45,710	41,411
26								
27	**Rate of Return and Credit Metrics**							
28	Rate of Return on Rate Base (%)	6.61	6.39	6.72	6.85	6.82	6.24	5.84
29	Regulated Return on Book Equity (%)	8.50	8.50	8.95	8.44	8.44	7.16	6.38
30	Interest Coverage (times)	2.5	2.6	2.5	2.4	2.4	2.2	2.0
31	CFO Pre-W/C + Interest / Interest (times)	4.4	4.7	4.4	3.6	2.9	2.9	2.8
32	CFO Pre-W/C / Debt (%)	17.1	17.6	17.4	12.9	10.2	9.6	9.0

[1] The 2024 through 2026 forecasts include the proposals in the *2024 Rate of Return on Rate Base Application* filed with the Board on November 23, 2023.

[2] Shown after reclassification of other contract costs and equity portion of AFUDC.

[3] Shown after adjustment for non-regulated expenses and reclassification of other contract costs and current portion of employee future benefit costs.

[4] Shown after reclassification of current portion of employee future benefit costs.

[5] Shown after reclassification of tax on cost of removal.

[6] Shown after reclassification of equity portion of AFUDC.

[7] Shown after adjustment for non-regulated expenses and reclassification of tax on cost of removal.