IN THE MATTER OF the *Public Utilities Act*, RSNL 1990, Chapter P-47, as amended ("*Act*"); and

IN THE MATTER OF an application by Newfoundland Power Inc. ("Newfoundland Power") to establish customer electricity rates for 2025 and 2026 ("Application").

Newfoundland and Labrador Hydro

Requests for Information

NLH-PUB-001 to NLH-PUB-005

May 8, 2024

THE BRATTLE GROUP – REPORT ON NEWFOUNDLAND POWER'S DEFERRAL ACCOUNTS, ("THE BRATTLE GROUP DEFERRAL ACCOUNT REPORT")

NLH-PUB-001 Reference: The Brattle Group Deferral Account Report, p. 24, para. 1.

What means do other regulated Cost of Service utilities have to incentivize cost efficiencies and which of these could be applied to Newfoundland Power?

NLH-PUB-002 Reference: The Brattle Group Deferral Account Report and NLH-NP-124.

The Brattle Group states in Recommendation 3 on page 14:

> If the Board wishes to incentivize reductions in peak demand, incentives to specific demand reduction programs through the existing Conservation and Demand Management Program should be considered instead.

a) If the recommendation to modify the Demand Management Incentive ("DMI") Account is approved to eliminate the DMI threshold, what alternative could provide the incentive to Newfoundland Power to undertake reasonable initiatives to minimize peak demand?

b) Would lowering the threshold to the requested +/- $500,000 with a review to eliminate in the next general rate application be a reasonable approach?

c) If the DMI threshold was eliminated, is it appropriate to have additional costs passed on to customers if the appropriate incentive to manage demand was not achieved through the existing Conservation and Demand Management Program?

NLH-PUB-003 Reference: The Brattle Group Deferral Account Report, p. 14.

The Brattle Group states in Recommendation 3 on page 14:

> We recommend that the DMI Account should be modified to remove the incentive threshold related to peak demand. The account should still be maintained to capture variance from actual to test year demand costs via the calculation of the Demand-Supply Cost Variance. However, netting off the demand management incentive should no longer be included. If the Board wishes to incentivize reductions in peak demand, incentives to specific demand reduction programs through the existing Conservation and Demand Management Program should be considered instead.

If the Board were to accept this recommendation, in The Brattle Group's opinion, what incentive would Newfoundland Power have to maintain its voltage management and customer curtailment practices? Is there a risk that this recommendation, if accepted, could result in increased system peaks? Please explain.

NLH-PUB-004 **Reference: "2025/2026 General Rate Application," Newfoundland Power Inc., December 12, 2024, vol. 1, Evidence, sec. 1, pp 1-8–1-9 and The Brattle Group Deferral Account Report, p. 13.**

Page 1-8 and page 1-9 states:

> The wholesale rate will be re-designed as part of Hydro's next general rate application. This is expected to include a second block energy rate that will reflect the cost of energy exports, which is now considered the marginal cost of energy. The marginal cost of energy exports is forecast to be in the range of 3 to 5¢ per kWh on an annual basis in 2025 and 2026.

The Brattle Group Deferral Account Report, page 13 states:

> The ESCV deferral only accounts for variances in costs related to marginal energy supply and does not account for any variance in revenues that NP may receive. Since the revenues related to energy supply costs are not captured in the ESCV deferral, then in the situation where the marginal cost of energy supply is below the average energy supply costs, included in NP's rates, NP will be overcompensated in that current year, by capturing all associated energy supply revenues in their net income and deferring the energy costs supply costs via the ESCV.

Given Newfoundland Power's wholesale second block rate is expected to decrease to the range of 3 to 5 cents/kWh, in The Brattle Group's view, does the current design of the Energy Supply Cost Variance ("ESCV") provide Newfoundland Power an incentive to under-forecast sales in a test year? Would the recommendation to include both costs and revenues in the ESCV deferral remove this incentive?

GRANT THORNTON LLP – NEWFOUNDLAND POWER INC. – 2025/2026 GENERAL RATE APPLICATION – SUPPLEMENTAL REPORT ("GRANT THORNTON REPORT")

NLH-PUB-005 Reference: Grant Thornton Report, p. 2.

Grant Thornton states:

> An alternative approach to addressing variances in the cash working capital amount is to consider if the methodology used to calculate the allowance that included in average rate base requires a revision. We discussed this with the Company and understand that their preference is to monitor the progress towards resolving the large differences through the adoption of the new wholesale rate. If the matter is still an issue after the wholesale rate has been established, that would be a better time to review the methodology for determining the allowance. We agree that reviewing the methodology for calculating an allowance would be more effective if it were performed after the wholesale rate has been determined.

a) Can the impact of a new wholesale rate on cash working capital be tested based on the proposed wholesale rate structure filed by Newfoundland Power in response to PUB-NP-007 of this proceeding?

b) Would Grant Thornton recommend a review of the cash working capital allowance be filed as part of Newfoundland Power's next general rate application?

DATED at St. John's, in the province of Newfoundland and Labrador this 8th day of May, 2024.

SWalsh

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