

IN THE MATTER OF the *Public Utilities Act*, R.S.N.L. 1990, Chapter P-47, as amended, (the “Act”); and

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

**Requests for Information by
Newfoundland Power Inc.**

**To: The Brattle Group, Inc.
 (“Brattle”)**

NP-PUB-001 to NP-PUB-005

May 8, 2024

Requests for Information

Brattle - Review of Newfoundland Power Load Forecasting Methodology, April 17, 2024

NP-PUB-001 Reference: *Review of Newfoundland Power Load Forecasting Methodology, April 17, 2024*, page 14.

Newfoundland Power uses weather normalized energy sales as the basis for its average energy use forecasting model. To what degree, if any, does the use of weather normalized energy sales mitigate the absence of weather variables in Newfoundland Power's average use model?

NP-PUB-002 Reference: *Review of Newfoundland Power Load Forecasting Methodology, April 17, 2024*, page 11-12.

"If the Company also uses these forecasts to set rates for customers, a lower energy forecast will produce a higher rate for customers. If actual sales for a given year exceed the forecast, this will result in excess revenue for the Company."

Is the above statement true in the case of Newfoundland Power when marginal energy supply costs are higher than the average kWh customer energy rate?

NP-PUB-003 Reference: *Review of Newfoundland Power Load Forecasting Methodology, April 17, 2024*, page 12.

"...using monthly data provides considerably more data for the Company to train its models on, which may produce better forecasting outcomes. At the very least, the company should test whether or not they achieve better forecasting accuracy by using more granular data."

- a. In Brattle's view, could creating and using monthly data as opposed to annual data increase the complexity and costs associated with Newfoundland Power's energy forecasting methodology?
- b. Does Brattle recommend a forecast methodology that uses a separate regression model for each month of the year or a singular regression methodology that uses 12 separate data points for each month?

- c. Are there forecasting tools or software that Brattle recommends for completing an energy forecast based on monthly data? If so, please describe them.

Brattle – Report on Newfoundland Power’s Deferral Accounts, April 24, 2024

NP-PUB-004

Reference: *Report on Newfoundland Power’s Deferral Accounts, April 24, 2024*, page 26.

“NP has a similar amount and treatment of deferral coverage to other utilities. However, many of these other utilities have some form of incentive regulation that requires them to find efficiencies for large portions of their costs. NP lacks this additional incentive to reduce costs and find efficiencies while also benefiting from a similar amount of deferral account coverage.”

- a. Please provide Brattle’s definition of “incentive regulation.” What utilities in Canada follow some form of incentive regulation and what utilities do not?
- b. Is regulatory efficiency an important factor in jurisdictions that follow a formulaic approach to rate setting, such as Alberta and Ontario? If so, why is regulatory efficiency an important consideration in those jurisdictions?
- c. In Brattle’s view, are there potential risks and challenges associated with using a formulaic approach to rate setting?
- d. Does Brattle agree that it is a common goal in all jurisdictions in Canada for utility operations to operate efficiently?
- e. Please provide supporting jurisdictional information, including quantitative analysis by utility, to support Brattle’s finding that “...many of these other utilities have some form of incentive regulation that *requires* them to find efficiencies for *large portions* of their costs.” (emphasis added).
- f. As outlined in the response to Request for Information PUB-NP-017, the Company reduced its operating cost per customer by approximately 9.5% on an inflation-adjusted basis. The operating cost per customer of the Company’s U.S. peer group has increased by 15.1% over the same period when adjusted for inflation.

In Brattle's view, is this reflective of operating efficiency? If not, why not? Further, is Brattle able to provide a similar analysis for other Canadian utilities over the same time period for comparison purposes?

- g. Please provide Brattle's understanding of the regulatory process for 2024 cost recovery for each of Newfoundland Power and FortisBC Inc. Please specifically address what revenue requirement components (e.g. depreciation, operating costs and return on rate base) each utility is able to revise customer rates for between fulsome general rate proceedings.

NP-PUB-005

Reference: *Report on Newfoundland Power's Deferral Accounts, April 24, 2024*, page 15.

- a. Would Brattle agree that utilities across Canada have differing supply cost mechanisms that permit each utility to fully recover its supply costs? If not, why not?
- b. Please provide a listing of each utility surveyed by Brattle, indicating if they have an incentive mechanism that may not necessarily allow the utility to recover all of their supply costs. Please indicate the amount of regulated generation owned by each utility for those that have an incentive.

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 8th day of May, 2024.



NEWFOUNDLAND POWER INC.
P.O. Box 8910
55 Kenmount Road
St. John's, Newfoundland A1B 3P6

Telephone: (709) 737-5364
Telecopier: (709) 737-2974