NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: lhollett@newfoundlandpower.com

2024-02-14

Lindsay Hollett
Senior Legal Counsel
Newfoundland Power Inc.
55 Kenmount Road, P.O. Box 8910
St. John's, NL A1B 3P6

Dear Ms. Hollett:

Re: Newfoundland Power Inc. - 2025-2026 General Rate Application – To NP - Requests for Information

Enclosed are Requests for Information PUB-NP-001 to PUB-NP-130 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or by telephone 709-726-6781.

Sincerely,

Jo-Anne Galarneau
Executive Director and Board Secretary

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IN THE MATTER OF the **Public Utilities Act**, (the "**Act**"); and

IN THE MATTER OF a general rate application by Newfoundland Power Inc. to establish customer electricity rates for 2025 and 2026.

PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION

PUB-NP-001 to PUB-NP-130

Issued: February 14, 2024

Section 1: Introduction

PUB-NP-001 Describe any organizational changes that have occurred since the response to PUB-NP-001 was filed in the 2022-2023 General Rate Application and provide the most recent organizational charts for Newfoundland Power.

PUB-NP-002 Volume 1, Section 1, page 1-7, lines 3-5. Provide a table that shows the amount of each category of cost that contributes to the i) proposed 5.5% increase in customer rates reflected in the Application and ii) the projected 9.8% increase as set out in Additional Information, PUB Information Request (i), Schedule A, page 3 of 5, Table 1, Scenario B, if the supply costs are rebased.

PUB-NP-003 Please update the projected rate increases of 5.5% assuming no customer rate increase of 1.5% July 1, 2024 resulting from the return on rate base application. In the response, provide the percentages for both supply cost recovery scenarios (i.e., no rebasing of supply costs and full rebasing of supply costs).

Section 1: Introduction/Proposal Not to Rebase Power Supply Costs

PUB-NP-004 Volume 1, Section 1, page 1-9, lines 5-8. It is stated that Newfoundland and Labrador Hydro ("Hydro") currently expects its earliest timeframe for filing its general rate application to be the latter half of 2024. Further, Additional Information, PUB Information Request (i), page 2 of 5 states: "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, Newfoundland Power submits that its approach to not rebase power supply energy costs in its 2025 and 2026 test years is reasonable." However, based on recent correspondence from Hydro with respect to its next General Rate Application (GRA), Hydro will not be filing its GRA until 2025.[1]

a) Would it be reasonable to rebase the power supply costs, particularly for 2025, given the most recent information from Hydro regarding the delay in filing its next GRA from the date anticipated at the time Newfoundland Power filed its application?

b) Does Newfoundland Power agree that, based on the duration of the regulatory process for recent Hydro general rate applications, it may be early 2027 before a final wholesale rate is implemented if Hydro does not file its general rate application until 2025? If not, why not.

c) Assuming a revised wholesale rate structure is not in effect until 2027, would it be reasonable and consistent with regulatory practice and good utility practice for Newfoundland Power's 2025 and 2026 test years revenue

[1] Newfoundland and Labrador Hydro has indicated in its quarterly updates to the Board, it will be in 2025 before it expects to file its general rate application. The timing of the filing may be further impacted by the timing of the finalization of the Government's rate mitigation plan.

requirements to reflect rebased power supply costs? If the wholesale rate structure is not in effect until 2027, please explain why the Board should approve 2025 and 2026 test years which do not include Newfoundland Power's rebased power supply costs given that this will result in the delayed recovery of significant 2025 and 2026 power supply costs through the Rate Stabilization Adjustments in July of 2026 and 2027.

d) What information is Newfoundland Power planning to provide its customers to ensure transparency with respect to the customer rate impacts resulting from its GRA proposals, including the impacts of the Rate Stabilization Adjustments in 2026 and 2027?

PUB-NP-005 Excerpt from P.U. 7(2002-2003), page 59 states: "NLH is proposing that the cost of No. 6 fuel to be included in rates be set at $20 Cdn/bbl and not at the average forecast price of $25.91 Cdn/bbl set out in Forecasting: Production and Fuel Costs. NLH proposes to book the difference between the actual price and the embedded price of $20 Cdn/bbl in the Rate Stabilization Plan to be recovered at a later time. NLH is proposing this approach because of the magnitude of rate increase that would be required with a higher fuel price. "

This Order further states at page 60: "While the Board is cognizant of the impact of using the forecast fuel prices in setting rates, it is not convinced that the proposal by NLH to use a lower price than forecast is the best approach in the current circumstances. The Board is required to set rates based on forecast costs for a test period and believes that the most prudent course of action is to set the fuel price at or near the price forecasted for the test year. The Board believes that this is the only way to avoid the current situation of having an ever increasing balance in the RSP with no short term hope of recovery. This approach is also consistent with the generally accepted regulatory principle of matching costs and revenues. The Board also believes it is important to maintain the relationship between the price of fuel and electricity rates so that correct price signals are reflected in rates to consumers."

a) Please provide the similarities and differences of Newfoundland Power's proposal to not rebase purchase power costs in its 2025 and 2026 test years to Newfoundland and Labrador Hydro's proposed approach described above.

b) Please explain why it would be appropriate for the Board to deviate in its decision on this Application from its previous decision to set rates based on forecast costs consistent with the generally accepted regulatory principle of matching costs and revenues in determining test year revenue requirements.

c) Please provide any relevant regulatory precedent in this jurisdiction or elsewhere for Newfoundland Power's proposal to not rebase power supply costs in establishing customer base rates in a general rate application.

d) Please explain (i) the benefit to customers of Newfoundland Power's proposal to not rebase purchased power costs in determining the 2025 and

2026 test year revenue requirements and (ii) how it is consistent with regulatory principles.

PUB-NP-006 Additional Information, PUB Information Request (i), page 3 of 5. Please provide a comparable Table 1 for 2025 if new customer rates are implemented:

a) January 1, 2025;
b) February 1, 2025; and
c) March 1, 2025.

PUB-NP-007 Volume 1, Section 1, pages 1-8 to 1-9. Newfoundland Power has indicated that it expects the marginal energy rate in a new wholesale rate will be materially lower than the current marginal energy rate of 18 cents per kWh.

a) Does Newfoundland Power agree that in a revised wholesale rate the other components of the rate (i.e., first block price and demand charge) are likely to increase? If not, why not?
b) Given Newfoundland and Labrador Hydro has a deferral account approved which permits the ongoing deferral of its increased costs associated with commissioning of the Muskrat Falls Project, please explain if Newfoundland Power believes that the average power purchased costs in cents per kWh for Newfoundland Power under a new wholesale rate implemented following a Newfoundland and Labrador Hydro rate application will be lower than the Newfoundland Power projected average purchased power costs in cents per kWh for the 2026 test year (i.e., assuming the rebasing of purchase power costs).

PUB-NP-008 Assuming sales exceed the test year forecast for all classes in each of 2025 and 2026 by (a) 0.5%, (b) 1.0%, (c) 1.5%, and (d) 2.0%, please provide for each scenario (i) the computation of the transfers to the Energy Supply Cost Variance Deferral Account and (ii) the projected annual Rate Stabilization Account customer rate impact for 2026 and 2027 assuming recovery would occur through the Rate Stabilization Account adjustments.

Section 2: Customer Operations/Operating Costs

PUB-NP-009 Volume 1, Section 2, page 2-1. Please provide Newfoundland Power's corporate performance measures for each year for the period 2020 to 2024, showing targets and actuals for 2020 to 2023 and targets for 2024.

PUB-NP-010 Volume 1, Section 2, page 2-27 and Section 3, pages 3-34 and 3-35. Please provide inflation adjusted operating costs per customer and operating costs per kWh for 2003 to 2023 inclusive, in tabular and graphical format, using the GDP deflator for materials and supplies and CPI for labour costs.

PUB-NP-011 Volume 1, Section 2, pages 2-1 to 2.2. Please provide a table that compares Newfoundland Power's operating costs/customer for the period 2013 to 2023, not adjusted for inflation, to the U.S. peer group of companies that Newfoundland Power compares its cost-related metrics to for its annual peer group measures report that is filed with the Board.

PUB-NP-012 Volume 1, Section 2, page 2-2, lines 6-9. Please provide the annual inflation rate used and source for the reduction in operating costs over the last decade.

PUB-NP-013 Volume 1, Section 2, page 2-2, lines 11-14. Please provide a breakdown of the increase in operating costs from 2022-2026 by:

a) Forecasted annual change in the number of employees; and
b) Forecasted annual change in average cost per employee.

PUB-NP-014 Volume 1, Section 2, page 2-2, line 23. Please provide a breakdown of customer connections by each rate class of service since 2013 and forecasted to 2026.

PUB-NP-015 Volume 1, Section 2, page 2-6, lines 2-4. Please provide details on Newfoundland Power's customer service performance targets and explain how customer surveys are used to derive metrics to accurately assess customer service.

PUB-NP-016 Volume 1, Section 2, page 2-9, lines 9-18. For the new Customer Service System completed in 2023 please provide the following:

a) The final total cost of the project vs the budget approved by the Board;
b) An explanation as to the efficiencies achieved with the new system and how they compare to efficiencies anticipated at the time of project approval, including the forecast efficiencies described in the response to PUB-NP-013 in the 2022-2023 General Rate Application; and
c) The reduction in costs achieved or expected in future years as a result of the new system.

PUB-NP-017 Volume 1, Section 2, page 2-29 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 1 of 4. Gross Operating Costs are forecast to increase from $68.956 million in the 2023 TY forecast to $79.083 million in the proposed 2025 test year, an increase of 14.7%. Please explain the specific actions Newfoundland Power has taken to keep operating costs to the minimum reasonable level possible, particularly in light of the challenges for costs and reliability arising from the Muskrat Falls Project Newfoundland Power describes in its Application, including on pages 3-30 to 3-34.

PUB-NP-018 In reference to the table, included below, from PUB Information Request (ii), "Schedule B, Attachment 5, Exhibit 2 Including 2022 and 2023 Test Year Figures", please provide detailed explanations for the following:

	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**

a) The 21% increase in Vehicle Expenses in 2023 Forecast to $2.10 million as compared to the 2023 test year of $1.73 million.

b) The 11% increase in Plant, Substations, System Operations and Buildings expenses in the 2025 Forecast of $3.89 million as compared to the 2023 test year of $3.49 million. Also provide the reason for the increase in the 2023 Forecast to $3.75 million as compared to the 2023 test year.

c) The 34% increase in Travel expenses in the 2025 Forecast of $1.20 million as compared to the 2023 test year of $0.891 million. Also provide the reason for the increase in the 2023 Forecast to $1.15 million as compared to the $0.891 million in the 2023 test year.

d) The 18% increase in Insurance in the 2025 Forecast of $2.77 million as compared to the 2023 test year of $2.35 million.

e) The 47% increase in Education, Training and Employee Fees in the 2025 Forecast of $0.520 million as compared to the 2023 test year of $0.354 million.

f) Other Company Fees:

   i) The 85% increase in the 2025 Forecast of $4.77 million as compared to the 2023 Test Year of $2.57 million.

   ii) The increase in the 2023 Forecast to $3.57 million as compared to the 2023 Test Year of $2.57 million.

iii) The decrease in the 2025 Forecast of $4.77 million as compared to the 2024 Forecast of $5.13 million.
iv) The decrease in the 2026 Forecast of $4.67 million as compared to the 2025 Forecast of $4.77 million.

g) The 38% increase in Vegetation Management in the 2025 Forecast of $3.38 million as compared to the 2023 Test Year of $2.44 million. Also provide the reason for the increase in the 2023 Forecast to $3.26 million as compared to the $2.44 million in the 2023 test year.

h) Computer Equipment and Software:
i) The 36% increase in the 2025 Forecast of $4.70 million as compared to the 2023 test year of $3.45 million.
ii) The increase in the 2023 Forecast to $3.73 million as compared to the $3.45 million in the 2023 Test Year.
iii) The increase in the 2026 Forecast to $4.99 million as compared to the 2025 Forecast of $4.70 million.

PUB-NP-019 Volume 1, Section 2, page 2-30 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Electricity supply is forecast to increase by $3.69 million (12%) in 2025 Forecast as compared to the 2023 test year. The three most significant dollar value increases occur in Distribution, Administrative and Engineering Support, and Fleet Operation and Maintenance. Please provide the reasons for the forecast increase in these expenses since the 2023 test year. Also please provide the reasons for the forecast increase in Distribution and Administrative and Engineering Support between the 2025 Forecast and the 2026 Forecast.

PUB-NP-020 Volume 1, Section 2, page 2-31, Table 2-5 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Administration and Engineering Support comprise close to 30% of total Operating Costs – Electricity Supply. Please provide details on what percentage of these costs are used by each Function and explain how specific costs are allocated between the Function and Engineering Support. For any third party vendors contracted to provide Administration and Engineering Support, please provide details on these arrangements.

PUB-NP-021 Volume 1, Section 2, page 2-31, lines 7-8 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Please confirm that the increases in Table 2-5 (Operating Costs – Electricity Supply) are all due to inflationary increases and not associated with incremental capital expenditures. If there are incremental capital expenditures please specify according to Function.

PUB-NP-022 Volume 1, Section 2, page 2-30, and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 3 of 4. General is forecast to increase by $6 million (22%) in 2025 Forecast as compared to the 2023 test year, and there

is a further increase of $1.06 million between the 2025 Forecast and the 2026 Forecast.

a) Please provide a detailed explanation for the $1.41 million (19%) increase in Information Systems from the 2023 test year to the 2025 Forecast. Also provide an explanation for the $0.426 million increase between the 2025 Forecast and the 2026 Forecast.

b) Volume 1, Section 2. On page 2-33, footnote 59 of the Application, Newfoundland Power provides detail for $2.1 million of the increase in Information Systems. Are all of the costs noted in this footnote annual costs? If not please indicate which costs are not annual.

c) Please provide a detailed explanation for the $1.08 million (54%) increase in Financial Services from the 2023 test year to the 2025 Forecast. Also provide an explanation for the $0.414 million decrease between the 2025 Forecast and the 2026 Forecast.

d) Volume 1, Section 2. On page 2-33, footnote 60 of the Application, Newfoundland Power notes that an assessment is required to determine the financial reporting implications of the implementation of an anticipated IFRS rate-regulated standard. Please provide the estimates included in "Financial Services" for the 2024, 2025 and 2026 Forecasts.

e) Please provide detailed explanations for the $3.07 million (19%) increase in Corporate and Employee Services from the 2023 test year to the 2025 Forecast. Also, please provide an explanation for the increase of $893,000 in Corporate and Employee Services between the 2025 Forecast and the 2026 Forecast.

PUB-NP-023 Volume 1, Section 2, page 2-33, lines 2-3. What specific actions is Newfoundland Power taking to reduce Operating Costs – General.

PUB-NP-024 Volume 1, Section 2, page 2-30, Table 2-4, and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. The Customer Service cost component of the Customer Services function has increased $0.502 million (6%) in 2025 Forecast as compared to the 2023 test year.

a) Please provide more detail of the type of expenses included in this category and reasons for the increase.

b) Please provide an explanation for a further increase of $314,000 between the 2025 Forecast and the 2026 Forecast.

c) Are there any savings/efficiencies factored into this cost as a result of the various new technologies and the new customer service system implemented recently? If so, please provide the detail. If not, please explain why.

PUB-NP-025 Volume 1, Section 2, page 2-32, Table 2-6 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Please explain

what is included in Energy Solutions and explain why these costs are expected to increase by 49% between 2022 and 2023F.

PUB-NP-026 Volume 1, Section 2, page 2-32, Table 2-6 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Why are uncollected bills expected to continue to increase and what specific actions is Newfoundland Power planning to take to address this increase?

PUB-NP-027 Volume 1, Section 2, page 2-32, lines 1-8. What specific actions is Newfoundland Power taking to reduce Operating Costs – Customer Services?

PUB-NP-028 Volume 1, Section 2, page 2-31, Table 2-5 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 2 of 4. Please provide Power Produced cost on a $/MWh basis for each column presented in the table.

PUB-NP-029 Volume 1, Section 2, page 2-31, footnote 57. It is stated that Newfoundland Power's weighted labor rate increases are 3.00% in 2022, 2.75% in 2023, 3.80% in 2024 4.45% in 2025 (0.75% wage progression) and 4.5% in 2026 (0.75% wage progression).

a) Please provide a comparison to the annual and compounded compensation increases provided in other Atlantic Canada electric utilities for the same period.
b) Please provide a breakdown of the annual and compounded increases between union and non-union.
c) Please provide compensation increases for the Executive group for the same period. Identify bonuses and base salary increases separately.
d) Please explain why it is reasonable that compensation amounts that have been decided upon by the management of Newfoundland Power are treated as inflation when evaluating productivity.

PUB-NP-030 Volume 1, Section 2, page 2-34, lines 9-11 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 5, page 1 of 1. Newfoundland Power states that Operating labour costs are an indicator of efficiency in its day-to-day operations. Operating labour has increased by $3.29 million (8.5%) in the 2025 Forecast as compared to the 2023 test year, and an additional increase of $1.08 million between the 2025 Forecast and the 2026 Forecast. Please explain how efficiency is demonstrated in labour costs given this increase.

PUB-NP-031 Volume 1, Section 2, page 2-34, lines 9-11. Labor costs are forecast to make up 54% of 2026 forecast operating costs. Additional Information, PUB information Request (ii), schedule B, Attachment 5 shows that labor costs are forecast to increase from $38.793 million in the 2023 test year to $42.079 million in the 2025 test year, an increase of 8.5% and to $43,882 million in the 2026 test year, an increase of 13% from the 2023 test year.

a) Provide the overall average salary for employees, including a break down between union and non-union, for 2023 and 2024 and forecast for 2025 and 2026, including any bonus or short- term incentive payment and state the percentage change each year.
b) List each of Newfoundland Power's current collective agreements and state the term of each, the annual wage adjustment for each year of the term and any special monetary adjustment.
c) Provide a comparison of Newfoundland Power's hourly wage rates with other Atlantic Canadian utilities for Power Line Technicians and any other classifications where data is available.
d) Describe how salaries are established for non-union employees.
e) Provide all reports prepared by Newfoundland Power and by external consultants on the compensation paid to employees for the period 2022 to date.
f) Provide all benchmarking reports or data completed by or for Newfoundland Power that compares compensation paid by Newfoundland Power to that paid by other Canadian utilities and other Canadian companies for the period 2022 to date.

PUB-NP-032 Volume 1, Section 2, page 2-34, lines 9-11. Provide a detailed explanation of Newfoundland Power's short-term incentive and bonus plans, including the eligible participants and the criteria for payments. With the response include sample 2024 short-term incentive performance targets for a director position and an executive position.

PUB-NP-033 Volume 1, Section 2, page 2-34, lines 9-11. Provide a table that shows the amounts paid as bonuses or incentive payments in 2021 to 2024 forecast, inclusive and the amounts included in the 2025 and 2026 revenue requirements for such payments.

PUB-NP-034 Volume 1, Section 2, page 2-35, Table 2-9 and Additional Information, PUB Information Request (ii), Schedule B, Attachment 1, page 4 of 4. Please provide the same table on a cost/employee basis and explain the cost differences for each column presented.

PUB-NP-035 Volume 1, Section 2, page 2-35, lines 2-6. The increase in labour costs is forecasted to be 3.1%. The weighted labour rate inflation is forecasted to be 4.1%. What, if any, of the 1% difference can be attributed to changes in the forecast of Newfoundland Power's number of employees versus changes in employee wages?

PUB-NP-036 Volume 1, Section 2, page 2-35, lines 9-11. Newfoundland Power states that regular and standby labour costs are forecast to increase by $4.4 million from 2022 to 2026 and explains "The increase in regular and standby labour primarily reflects a combination of labour inflation and decreased labour costs associated with the enhancement of operation technologies." Please quantify the decrease in labour

costs and provide examples of the estimated decrease in labour costs as a result of the enhancements.

Section 2: Customer Operations/Reliability

PUB-NP-037 Volume 1, Section 2, page 2-16. Please list all metrics and results in a table, that are considered by Newfoundland Power in assessing reliability performance such as SAIDI, SAIFI and CAIDI for the 2013 to 2023 period.

PUB-NP-038 Volume 1, Section 2, page 2-18, lines 7-8. With respect to assessing its reliability performance please explain:

a) how Newfoundland Power sets its annual reliability performance targets, including criterion used;
b) how Newfoundland Power evaluates its reliability performance and criterion used; and
c) how Newfoundland Power determined that the evaluation criterion for a) and b) above are appropriate.

PUB-NP-039 Volume 1, Section 2, pages 2-13 to 2-23. Explain how Newfoundland Power currently considers and balances capital and operating costs incurred for system reliability and the customer benefits expected from incurring such costs when setting its reliability performance targets and establishing capital and operating budgets.

PUB-NP-040 Volume 1, Section 2, page 2-20. Newfoundland Power SAIDI has been below the Atlantic average since at least 2013. Are there areas of capital/operational spending that can be reduced to limit rate increases while still ensuring SAIDI for Newfoundland Power is comparable with the Atlantic average?

PUB-NP-041 Please update Figures 2-5 to 2-9, inclusive to include the period 2003 to 2023 actuals with and without major events.

Section 2: Customer Operations /Environmental Responsibility

PUB-NP-042 Volume 1, Section 2, pages 2-23 to 2-26. Please explain what action Newfoundland Power has taken since the **Electrical Power Control Act** and the **Public Utilities Act** were both amended in 2023 to require that power is delivered to consumers in the province in an environmentally responsible manner, in addition to at the lowest possible cost consistent with reliable service, to ensure it is complying with this requirement.

PUB-NP-043 Volume 1, Section 2, pages 2-23 to 2-26. Please explain and state the criteria that Newfoundland Power uses to evaluate whether it is delivering service to customers in an environmentally responsible manner.

PUB-NP-044 Volume 1, Section 2, page 2-24, line 2-4 discussed Newfoundland Power's goal of reducing greenhouse gas emission by 55% by 2035 compared to 2019 levels. Please explain:

a) the amount of greenhouse gas Newfoundland Power is trying to reduce in metric tonnes per year; and

b) the budget allocated for this effort.

Section 2: Customer Operations/ Capital Expenditures

PUB-NP-045 Volume 1, Section 2, page 2-37. Please provide Newfoundland Power's 2024-2028 capital plan. What are Newfoundland Power's critical areas of focus in its capital spending over this period?

PUB-NP-046 Volume 1, Section 2, pages 2-36 to 2-38. Please provide a table that shows Newfoundland Power's investment in transmission and distribution assets, on a total dollars basis and on a per customer basis, in comparison with the average of other Atlantic Canadian utilities over the ten-year period 2013 to 2022. If other benchmark data is available, please also provide it.

PUB-NP-047 What actions or strategies is Newfoundland Power taking to manage its capital spending and prevent increases on an annual basis?

PUB-NP-048 Volume 1, Section 2, page 2-37, Table 2-10. Please provide the reasons for the increase in the capital expenditures between the 2025 and 2026 forecasts in the Substations and Transmission categories.

PUB-NP-049 Volume 1, Section 2, page 2-37, Table 2-10 and page 2-38, lines 11-13. It is stated that Information systems capital expenditures are forecast to decline due to the conclusion of the Customer Service System Replacement project in 2023. This is correct when comparing the 2023 forecast to the 2024 forecast, the expenditures have decreased by $6.8 million. However, this category increases by $4.8 million when comparing the 2024 forecast to the 2025 forecast and $3.4 million when comparing the 2024 forecast to the 2026 forecast. Please explain the reasons for increases in the 2025 and 2026 forecasts.

PUB-NP-050 Please provide an update on the review of Newfoundland Power's asset management planning and provide comments on any preliminary findings.

PUB-NP-051 The distribution reliability initiative, the transmission line rebuild and the substation refurbishment and modernization programs have been ongoing for a number of years. The responses to PUB-NP-033 and PUB-NP-038 in the 2024 Capital Budget Application indicate that the strategies for two of these programs were established in 2007 and 2006 respectively. Please explain when the strategies

for these programs were last reviewed, if Newfoundland Power plans to review them in the future and how they are consistent with current utility best practices.

PUB-NP-052 What costs are reflected in Newfoundland Power's capital plan to reflect electrification initiatives of the Federal and Provincial governments? Please describe the major cost elements and the amounts by year.

PUB-NP-053 Has Newfoundland Power developed a 20-year capital plan giving consideration to electrification initiatives? If yes, please provide a summary of the results. If not, is Newfoundland Power planning to develop a long-term capital plan given the potential for material investments potentially required for electrification initiatives. If not, why not?

PUB-NP-054

a) Please provide updated information on actual and forecast Electric Vehicle adoption in Newfoundland Power's service area.

b) Please provide an update on the electric vehicle load management pilot project.

c) Please provide updated information on EV charging station availability in Newfoundland Power's service area. In the response, please identify level 2 and level 3 chargers separately.

d) Does Newfoundland Power have any plans with respect to any additional utility-owned charging stations over the next 5 years?

e) Please provide usage data with respect to the existing level three charging stations in Newfoundland Power's service area, including the number of chargers, load factor, kWh's used and revenue.

f) Does Newfoundland Power plan on offering customer rebates to promote the installation of smart-charging stations? If yes, please provide details.

PUB-NP-055 Volume 1, Section 3, page 3-6, Table 3-4 and PUB Information Request (ii), Schedule B, Attachment 2, page 3 of 6. Depreciation expense is increasing by approximately $5.1 million in 2024 Existing as compared to the 2023 test year, it increases by approximately $3.6 million in 2025 Existing and there is a further increase of $3.5 million in 2026 Existing. Newfoundland Power notes that this is the result of Newfoundland Power's annual capital investment in the electrical system. Please provide more specific details of the increases in depreciation estimated for each of the years noted.

PUB-NP-056 Volume 1, Section 2, pages 2-21 to 2-22. Newfoundland Power notes that major weather related events have become more commonplace over the last decade which is consistent with the frequency of extreme events across Canada. At the same time, Newfoundland Power notes that its electrical system is not constructed to fully withstand the impact of extreme weather conditions.

a) Having recognized the heighted impact of extreme weather events, what capital plans does Newfoundland Power have to mitigate the impact of an increased frequency of extreme weather events?
b) How is Newfoundland Power incorporating more frequent extreme weather events into its operational and reliability planning processes?
c) What can Newfoundland Power's customers expect from a reliability perspective based on Newfoundland Power's plans to mitigate the impact of extreme weather as noted in response to a).

Section 3: Finance/Fair Return

PUB-NP-057 Volume 1, Section 3, page 3-1, lines 14-16. Newfoundland Power states "A 45% common equity component and a 9.85% rate of return on equity will maintain Newfoundland Power's financial integrity and is consistent with the fair return standard." In Newfoundland Power's opinion is there a range in which the equity component and the return on equity could be set that would maintain Newfoundland Power's financial integrity and the fair return standard? If yes, state the range for each of the return on equity and the equity component in the capital structure. If no, explain why maintaining Newfoundland Power's financial integrity and the fair return standard is dependent on the Board approving the specific return on equity of 9.85% and the capital structure consisting of 45% equity proposed in the Application.

PUB-NP-058 Volume 1, Section 3, page 3-4. Please provide a table that compares the normalized actual sales for 2019, 2020, 2022 and 2023 to the test year sales forecast for 2019, 2020, 2022 and 2023. In the analysis, please also provide the variance from the forecast test year contribution (i.e. $) from sales for each year.

PUB-NP-059 Volume 1, Section 3, pages 3-10 to 3-11.
a) Please compute a pro-forma short-term borrowing rates forecast to reflect the most recent available information (i.e., from the same financial sources used to develop the forecast short-term borrowing rates used in the application). In the response state the change in the forecast borrowing rates for the 2025 and 2026 test years relative to the pro-forma short-term borrowing forecast.
b) Please provide a comparison of short-term borrowing costs for the 2025 and 2026 test years to the pro-forma short-term borrowing costs based on the response to part a).
c) What is the interest expense impact of a reduction of 1% in short-term borrowing rates for the 2025 and 2026 test years?

PUB-NP-060 Volume 1, Section 3, page 3-14. Re-state Table 3-11 to include the credit metrics if the Application proposals for 2025 and 2026 were based on a return on equity of 8.25%, 8.5%, 8.75%, 9%, 9.25% and 9.5% in addition to the 9.85% proposed.

PUB-NP-061 Volume 1. Provide information on Newfoundland Power's financial position at 1% reduced intervals in the equity component from 45% to 37% at returns on equity of 8.25%, 8.5%, 8.75%, 9.0%, 9.25%, 9.5% and 9.85% in the same format as in PUB-NP-029 filed in Newfoundland Power's 2022-2023 General Rate Application.

PUB-NP-062 Volume 1. Provide information on Newfoundland Power's financial position at 1% increased intervals in the equity component from 45% to 50% at returns on equity of 8.25%, 8.5%, 8.75%, 9.0%, 9.25%, 9.50% and 9.85% in the same format as filed in PUB-NP-029 in Newfoundland Power's 2022-2023 General rate Application.

PUB-NP-063 Further to PUB-NP-060, PUB-NP-061 and PUB-NP-062 above would any of the credit metrics at the different returns on equity and equity components in the capital structure have impacts on Newfoundland Power's ability to maintain its creditworthiness and its ability to maintain a sound credit rating?

PUB-NP-064 Provide a table that shows the *pro forma* earnings test interest coverage calculation which is required for Newfoundland Power to issue First Mortgage Bonds in 2023 for the same range of equity ratios and allowed returns on equity as in PUB-NP-060, PUB-NP-061 and PUB-NP-062 above.

PUB-NP-065 Provide the reduction in the proposed 2025 and 2026 revenue requirement and the impact on customer rates if the return on equity is set at 8.25%, 8.5%, 8.75%, 9.0%, 9.25% and 9.5% with no other change from the proposals in the Application.

PUB-NP-066 Provide the reduction in the proposed 2025 and 2026 revenue requirement and the impact on customer rates if the current approved rate of return on equity of 8.5% is maintained for 2025 and 2026 and the equity component in the capital structure is reduced to (1) 43% and (2) 40% and increased to (3) 46%, 4) 48% and 5) 50% with no other change from the proposals in the Application.

PUB-NP-067 Volume 1, Section 3, page 3-20. Have any Canadian utilities received approvals for changes in their deemed capital structure since 2022? If yes, provide details of the change.

PUB-NP-068 Volume 1, Section 3, page 3-22. Newfoundland Power states: "Newfoundland Power's business risks in 2023 remain largely consistent with those described in 2021 during Newfoundland Power's 2022-2023 General Rate Application," and at Section 1, page 1-6 Newfoundland Power states: "Expert evidence filed with this Application indicates that Newfoundland Power has above-average business risk in comparison to other Canadian utilities." Is Newfoundland Power's opinion the same as its expert that it has above-average business risk compared to other Canadian utilities? Please explain the basis for Newfoundland Power's opinion on this issue.

PUB-NP-069 Further to PUB-NP-068 in Order No. P.U. 18(2016), page 19, lines 26-33, the Board determined that Newfoundland Power is an average risk utility. The return on equity and capital structure formed part of the settlement agreement in the 2019-2020 and the 2022-2023 General Rate Applications and continued the equity component and return on equity approved by the Board in Order No. P.U. 18(2016). In Order No. P.U. 3(2022) at page 5, lines 1-3, the Board stated that both the expert for Newfoundland Power and for the Consumer Advocate had concluded that there was no material change in business risk since 2018. Describe, in detail, if the principal risks have not materially changed, what factors should the Board consider in this proceeding to support a conclusion that Newfoundland Power is now above average business risk in comparison to Canadian utilities as opined by Newfoundland Power's expert.

PUB-NP-070 Volume 1, Section 3, page 3-39, lines 1-2.

a) Provide all capital and operating costs incurred from 2019 to 2023 that have arisen solely due to severe weather conditions that caused unplanned customer outages and identify those costs that were not recovered and their impact on Newfoundland Power's financial position in the year in which the costs were incurred.

b) Has Newfoundland Power not achieved its approved return on equity in any year since 2010 due to the inclusion of costs arising from severe weather events? If yes, provide the approved return on equity and the actual return for each year that the approved return was not achieved.

PUB-NP-071 Volume 1, Section 3, page 3-39, footnote 96.

a) Provide the report on supply cost mechanisms that was filed in the 2022-2023 General Rate Application in response to PUB-NP-041.

b) Explain any changes that have been implemented in Newfoundland Power's supply cost mechanisms since the 2022-2023 General Rate Application and list any changes proposed in the current Application.

c) Further to a), explain whether there have been any changes in the supply cost practices for investor-owned distribution utilities in Canada from those described in Appendix A to the 2021 report filed in response to PUB-NP-041 in the 2022-2023 General Rate Application.

PUB-NP-072 Volume 1, Section 3, page 3-47, lines 4-8. Newfoundland Power's view is that current economic conditions do not provide the stability in financial markets necessary to establish a formula that can be used to adjust the return on equity between test years.

a) If the Automatic Adjustment Formula continues to be suspended, is Newfoundland Power of the view that there is any mechanism or process possible that can be used to adjust the return on equity between test years? In the response include whether Newfoundland Power believes any process

or mechanism is required to review the return on equity in between test years.

b) If Newfoundland Power files its next general rate application with a 2028 test year in the ordinary course and it does not believe that an Automatic Adjustment Formula should be put in place, what does it request that the Board order with respect to 2027?

Section 3: Finance/ Electrification Cost Deferral Account and Recovery of Costs

PUB-NP-073 Volume 1, Section 3, page 3-49, lines 6-7. Newfoundland Power is proposing to recover approved customer electrification costs through the Rate Stabilization Account over 10 years, commencing January 1, 2025.

a) Please explain why it is appropriate to begin recovery, at this time, of the balance in the Electrification Cost Deferral Account.

b) Please describe the benefits to Newfoundland Power and to customers of the utility making investments in electric vehicle charging infrastructure.

Section 3: Finance/ Demand Management Incentive Account (DMI)

PUB-NP-074 Volume 1, Section 3, page 3-54, lines 15-17. Newfoundland Power proposes to revise the Demand Management Incentive Account (DMI) definition to replace the calculation of the threshold from ± 1% of test year wholesale demand charges to ± $500,000 with effect from January 1, 2025.

a) Please provide the past experience with the current deadband since its implementation and demonstrate how the DMI Account has benefitted customers and the utility.

b) Based on billing demand variability since the implementation of the DMI Account, provide a comparison of the amounts that would be transferred to the DMI Account in each year and in aggregate assuming: (i) the existing demand charge and the existing DMI deadband; (ii) the existing demand charge and the proposed DMI deadband; (iii) a 25% increase in the wholesale demand charge and the current DMI deadband; and (iv) a 25% increase in the wholesale demand charge and the proposed DMI Account deadband.

c) Page 3-53, lines 5-13. Newfoundland Power provides an example of the 2019-2020 winter season when its actual billing demand was less than Newfoundland and Labrador Hydro's minimum billing demand of 1,251.1 MW. How many years since the implementation of this account has Newfoundland Power's billing demand been less than Newfoundland and Labrador Hydro's minimum billing demand of 1,251.1 MW?

d) Please confirm that the current threshold of ± 1% of test year wholesale demand charges will continue to be ±$750,631 until Newfoundland and Labrador Hydro's next general rate application, not considering Newfoundland Power's current proposal.

Section 4: Rate Base and Return on Rate Base

PUB-NP-075 a) For the years 2013 to 2023 forecast, please complete the following table:

	2013	**2014…**	**2023**
Order No. setting approved range			
Approved Range of Return on Rate Base			
Midpoint of Approved Range			
Actual Rate of Return on Rate Base			
Approved Regulated Earnings when setting rates (000)			
Actual Regulated Earnings (000)			
Regulated Earnings Variance (000)			

b) With respect to the data provided in a), for each year please provide the primary reasons for Newfoundland Power's actual regulated earnings varying from its forecast regulated earnings.

PUB-NP-076 According to Newfoundland Power's Amended 2022-2023 General Rate Application ("GRA"), Exhibit 5 (1st Revision), page 6 of 9, the Weighted Average Cost of Capital ("WACC") of 6.39% was equal to the Rate of Return on Rate Base calculated for the 2023 test year. However, according to Exhibit 8 (2025 and 2026 Return on Rate Base) the proposed Rate of Return on Rate Base is not equal to the proposed WACC for the 2025 and 2026 test years.

a) Please provide a reconciliation of the difference between the WACC and the Rate of Return on Rate Base for each test year including an explanation of the reason for the difference between the WACC and the Rate of Return on Rate Base.

b) What would the change in revenue requirements be for the 2025 test year and the 2026 test year if the rate of return on rate base for each year was set to equal WACC in determining revenue requirement?

c) In its evidence in its 2008 GRA, Volume 1, page 61, Newfoundland Power stated: "The appropriate arithmetic expression of the Formula following the Company's transition to the Asset Rate Base Method is: Return on Rate Base = Rate Base X WACC". Why is Newfoundland Power not proposing to apply this formula in the determination of rate base for the 2025-2026 GRA? Please explain and indicate if the Board has explicitly approved a change in the 2008 approved approach of using WACC to equal return on rate base in computing test year revenue requirements.

PUB-NP-077 Volume 2, Tab 2, 2025 and 2026 Rate Base Allowances. Is there any adjustment to the purchased power expense applied in the derivation of the cash working capital allowance to be included in rate base given a material portion of Newfoundland Power's increased purchased power expense between test years is recovered through the Rate Stabilization Account (RSA) with finance costs applied to balances based on the approved Weighted Average Cost of Capital? If not, please explain why making no adjustment to purchased power expense in the calculation of test year cash working capital allowance to reflect the return earned on the balance in the RSA would not result in duplication of return (i.e., from both the RSA and through the inclusion of cash working capital allowance in rate base) in determining revenue requirement.

PUB-NP-078 Volume 2, Tab 2, 2025 and 2026 Rate Base Allowances, page 5 of 5. Please provide a calculation of the Materials and Supplies Allowance included in the 2025 and 2026 Test Year Average Rate Base, and also provide an explanation of the change in the expansion factor to 13.27% for the 2025 and 2026 test years, as compared to 19.08% calculated for the 2022 and 2023 test years.

Section 5: Customer Rates

PUB-NP-079 Volume 1, Section 5, page 5-1, line 9. Newfoundland Power is proposing an increase in rates for customers to be effective July 1, 2025.

a) Please compare the 2026 test year revenue requirement effects of an implementation date of: 1) January 1, 2025; 2) February 1, 2025 and 3) July 1, 2025

b) Please explain the advantages and disadvantages of waiting until July 1, 2025 to implement new base rates that may be implemented following the General Rate Application.

PUB-NP-080 Please provide documentation related to the energy sales forecasting methodology.

PUB-NP-081 Volume 1, Section 3, page 3-4, line 8. Why does Newfoundland Power expect low customer growth over the 2024 to 2026 period?

PUB-NP-082 Volume 1, Section 3, page 3-4, Table 3-1 and Additional Information, PUB Information Request (ii) Schedule B, Attachment 2, page 1-6, Table 3-1. Please restate the table in PUB Information Request (ii) assuming a rebasing of supply costs and new customer rates becoming effective: a) January 1, 2025; b) February 1, 2025 and c) March 1, 2025.

PUB-NP-083 a) Please discuss why it is appropriate to propose customer rates based on a 2026 yest year.

b) Assuming a Board decision on the General Rate Application could be implemented in January 2025 with a 2025 test year, what would be Newfoundland Power's forecast revenue shortfall for 2026?

c) What would the customer rate increase be for the scenario presented in part (b)? In the response, provide the rate increase reflecting (i) the rebasing of supply costs for 2025 and (ii) with no-rebasing of supply costs as proposed by Newfoundland Power.

PUB-NP-084 Please confirm that the potential for an additional rate increase resulting from Newfoundland Power's General Rate Application in excess of the 5.5% proposed by Newfoundland Power is not a result of the costs being incurred by Newfoundland and Labrador Hydro for the Muskrat Falls Project, under the existing contractual arrangements. If not confirmed, please provide an explanation.

PUB-NP-085 When does Newfoundland Power propose to file its next general rate application to set new base rates?

Volume 2: Tab 3, Customer, Energy and Demand Forecast Report

PUB-NP-086 Volume 2, Tab 3, Customer Energy and Demand Forecast, Appendix D. Please provide an updated Appendix D to include the most recent data for 2023.

PUB-NP-087 Volume 2, Tab 3, page 1 of 8.

a) Please provide forecast accuracy statistics for the domestic average use econometric model for the past five years.

b) Please indicate the historical time frame used in this forecasting model, and whether it is an annual or monthly model.

PUB-NP-088 Volume 2, Tab 3, page 2 of 8.

a) Please provide forecast accuracy statistics for the small general service average use econometric model for the past five years.

b) Please indicate the historical time frame used in this forecasting model, and whether it is an annual or monthly model

PUB-NP-089 Volume 2, Tab 3, page 2 of 8.

a) Refer to "Total energy sales are calculated by adding Domestic, General Service, and Street and Area Lighting sales." Please provide forecast accuracy statistics for the total sales for the past five years.

b) To the extent that there is persistent overforecasting or underforecasting, explain the reasons for why.

PUB-NP-090 Volume 2, Tab 3, page 3 of 8. Please report the load factors which have been observed over the past 5 years, which are used in the derivation of the peak

demand. Please explain why Newfoundland Power does not use an econometric model to estimate the peak demand.

PUB-NP-091 Volume 2, Tab 3, page 5 of 8. Please explain the methodology of including CDM and electrification impacts in the sales forecasts.

PUB-NP-092 Volume 2, Tab 3, page 6 of 8. "In 2022, energy sales increased due to increased domestic average usage. This resulted from the increased price of furnace oil and the province's population growth, both of which were influenced by geopolitical events that resulted in higher immigration to the province." Please explain if the price of furnace oil is an explanatory variable in the energy sales econometric model. If not, please explain.

PUB-NP-093 Volume 2, Tab 3, page 7 of 8.

a) Please report what percent of Newfoundland Power's customers have electric baseboard heating.
b) What percent of these customers does Newfoundland Power forecast converting into heat pumps by the end of 2026?
c) Please explain the impact of heat pump conversions from electric baseboard heating on energy sales forecast and peak demand.

PUB-NP-094 Volume 2, Tab 3. Please provide the historic dataset and the programming code used to estimate the econometric models for each of the customer classes.

PUB-NP-095 Volume 2, Tab 3. Please provide the forecasted values for the independent values used to develop the forecasts from the estimated econometric models, for each of the customer classes.

PUB-NP-096 Volume 2, Tab 3. Please provide any outside of the model adjustments (i.e. EE adjustments, fuel switching impacts etc.) which are applied to develop the final forecasts.

PUB-NP-097 Volume 2, Tab 3, pages 5 of 8 to 7 of 8.

a) Please provide Newfoundland Power's estimated conversions from oil heating to electric heating for each year in the period 2023 to 2026 and illustrate the impact on the sales forecast.
b) Please provide the source of Newfoundland Power's estimated conversions from oil heating to electric heating.
c) Please compare the forecast conversions from oil heating to electric heating per year to the target conversions of the Government of Newfoundland and Labrador, if available and provide the Government 's forecast.
d) Please provide Newfoundland Power's estimate of Electric Vehicle sales in its service area for the period 2023 to 2026 and illustrate the impact of increased Electric Vehicle usage on the sales forecast.

e) Please compare the forecast Electric Vehicle sales for each test year to the forecast Electric Vehicle sales for 2025 and 2026 provided in the most recent analysis completed by Dunsky for Newfoundland Power. Please explain any variances.

PUB-NP-098 Assume sales exceed the test year forecast for all classes in each of 2024, 2025, and 2026 by (a) 0.5%, (b) 1.0%, (c) 1.5%, and (d) 2.0%. Please provide for each of these values the change in regulated earnings for each year expressed as (i) return on rate base, (ii) return on equity, and (iii) net income for two scenarios: 1) Newfoundland Power does not rebase its rates for power supply costs using current Newfoundland and Labrador Hydro rates, and 2) Newfoundland Power does rebase its rates for power supply costs using current Newfoundland and Labrador Hydro rates. Please also provide a table of customer rates under each scenario and typical bills based on class average and median usage.

PUB-NP-099 Volume 2: Tab 3.

a) Please confirm that if weather normalized power purchases exceed the test year power purchases forecast, the difference between incremental supply cost and average test year energy supply cost is charged to the Energy Supply Cost Variance Deferral Account for future recovery from customers through the Rate Stabilization Account adjustment.

b) Please confirm that if weather normalized energy sales exceed the test year energy sales forecast, Newfoundland Power earnings (i.e., before taxes) increase to the extent that incremental revenues from increased energy sales exceed the average energy supply costs reflected in Test Year rates. If not confirmed, please explain the relationship of increased energy sales relative to the Test Year forecast to regulated earnings.

c) Given the anticipated electrification impacts on sales growth, does Newfoundland Power believe that a modification to the Energy Supply Cost Variance Deferral Account may be appropriate to apply a portion of increased contribution from sales growth (i.e., in excess of the Test Year forecast) to partially offset the increased supply cost resulting from power purchases exceeding the test year forecast? Please explain the factors that should be considered in assessing this option.

PUB-NP-100 Reference: Table 3-1 from Additional Information, PUB Information Request (ii), Schedule B, Attachment 2. Please complete the following table:

Energy Sales Revenue Increases ($000s)					
	2022 Actual vs 2022TY	2023F vs 2023TY	2024E vs 2023F	2025E vs 2024E	2026E vs 2025E
Change in Revenue due to sales growth					
Change in Revenue due to Price Increases					

PUB-NP-101 Volume 2, Tab 3, page 3 of 8. Newfoundland Power states that its forecast of native peak demand is determined by applying the average weather-adjusted load factor to the forecast of produced and purchased energy and its purchased demand is then derived by subtracting load curtailment by Newfoundland Power customers and company-owned facilities, and the generation credit approved by the Board.

a) In Appendix C, please confirm that the peak load reduction of 11.7 MW between existing and proposed peak MW of purchases in 2006 reflects the estimated impact of price elasticity on sales being converted to peak demand reflecting the load factor forecasting approach. Please provide any analysis that Newfoundland Power has conducted to validate the assumed impact of price elasticity on peak demand.

b) Please provide a comparison of forecast purchased peak demand to actual purchased peak demand for each winter period beginning with the 2012 to 2013 winter season. Where appropriate, please use the test year forecasts in the comparison.

c) Appendix C, Proposed, Newfoundland Power is forecasting peak load purchases to decline by 11.4 MW from 2024 to 2025 and 9.7 MW from 2025 to 2026. Is this peak load decline consistent with the forecast of Newfoundland and Labrador Hydro? Please update the table filed in the response to CA-NP-013 in the 2022-2023 General Rate Application to provide the system peak forecast of Newfoundland Power and of Newfoundland and Labrador Hydro for the Newfoundland Power peak for each year 2022 to 2026 inclusive.

d) Does Newfoundland Power consider its peak load forecast reasonable for Newfoundland and Labrador Hydro to use in system planning? If not, please explain why it is appropriate for the Board to use a different peak load forecast for Newfoundland Power in setting rates for Newfoundland Power that the forecast it would use in setting rates for Newfoundland and Labrador Hydro.

e) Further to c) above, what would be the purchase power impact for each of the 2025 and 2026 test years if Newfoundland Power's peak load forecast reflected the same MW load growth as the utility peak load forecast prepared by Newfoundland and Labrador Hydro for 2025 and 2026.

f) Please confirm that if Newfoundland Power's billing demand expense between test years exceeds its test year forecast demand costs that the expense amount in excess of $500,000 (under Newfoundland Power's

proposed account definition) will be charged to the Demand Management Incentive Account and recovered through the Rate Stabilization Account.

PUB-NP-102 Volume 2, Tab 3.

a) Please provide the details of the projected rate increases for each of 2024, 2025, and 2026 reflected in the General Rate Application ("GRA") load forecast.

b) Please provide a comparison of the GRA sales forecasts for 2025 and 2026 with a pro-forma sales forecast that would have been developed for 2025 and 2026 if the estimated effects of price elasticity are excluded. Please provide the response in a table format for each class showing the forecast sales differences for each year.

c) Assuming no price elasticity was reflected in the GRA load forecasts for, 2024, 2025 and 2026, what impact would the use of the pro-forma forecast have on determining: (i) the dollar change in revenue requirement; (ii) the proposed rate increase; (iii) the amounts transferred to the Energy Supply Cost Variance for 2025 and 2026.

PUB-NP-103 Please describe the methodology used to determine the elasticity effects including the following:

a) When was it developed?

b) Given the material increase in sales in 2022 and 2023 relative to the approved 2022-2023 General Rate Application test year forecasts, has Newfoundland Power conducted a recent assessment of the accuracy of the price elasticity methodology used in developing the load forecast?

c) Has the methodology been recently reviewed by an external consultant?

Volume 2: Cost of Service Study

PUB-NP-104 Please provide the Excel workbook(s) underlying your cost of service study. Please provide the workbook(s) complete with all cell computations and macros. Please provide all backup sources for any cells that contain hardcoded data.

PUB-NP-105 Was the reasonableness of the rate paid by Memorial University evaluated in the previous rate design review completed by Newfoundland Power? If yes, what was the conclusion?

PUB-NP-106 Newfoundland Power is treating the Memorial University substation as a common transmission asset in its cost-of-service study. Is the approach used by Newfoundland Power to functionalize this transmission asset as common consistent with the approach used by Newfoundland and Labrador Hydro in distinguishing between common and specifically assigned transmission assets? If no, please explain the differences.

PUB-NP-107 Please explain whether the demand charge paid by Memorial University is higher than the demand charge that would be paid if the University funded the cost of transformation. Please explain why.

PUB-NP-108
a) Please quantify the additional amount in annual revenues that results from Newfoundland Power owning the transformers at the Memorial University substation rather than the University.
b) If Memorial University paid a contribution equal to the cost of transformation at the substation, would the demand charge paid by the University be reduced by the amounts provided in response to subsection a)?
c) Please explain if the charges paid by Memorial University as set out in (a) of this question alleviate or reduce concerns on cross subsidization that may arise as a result of Newfoundland Power funding the investment in transformation at the Memorial University substation.

Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne – Return on Equity

PUB-NP-109 Volume 2, Cost of Capital Report, page 28, lines 10-20. Please explain any changes in the economic and capital market conditions described in Section III of Mr. Coyne's report that have occurred since the time the report was prepared and whether these changes impact Mr. Coyne's recommendations.

PUB-NP-110 Volume 2, Cost of Capital Report, page 31, Figure 20. The U. S. Electric Proxy Group includes two companies that were not included in Mr. Coyne's report for the 2022-2023 General Rate Application and excludes one that was included. These same changes apply to the North American Electric Proxy Group in Figure 21 on page 32. Please explain the basis for these changes in the U.S Proxy Group.

PUB-NP-111 Volume 2, Cost of Capital Report page 37, line 27 to page 39, line 23. In Order No. P.U. 13(2013), page 31, lines 13-16 and Order No. P.U. 18(2016), page 39, lines 17-20, the Board expressed concern on the assumption of constant growth in perpetuity and no offsetting adjustment for analysts' bias in the Constant Growth DCF method used by Mr. Coyne to estimate a fair return for Newfoundland Power. Mr. Coyne addresses this concern and referred to various factors which, in his opinion, demonstrate that projected analysts' growth rates are reasonable but all pre-date 2016. Have there been any changes since the Board's decision in 2016 that would lead the Board to now reach a different conclusion on the issue of analysts' bias in the Constant Growth DCF method? In the response explain in detail why the Board should now accept the assumption of constant growth in perpetuity in the Constant Growth DCF method.

PUB-NP-112 Volume 2, Cost of Capital Report, page 37, lines 3-4. Have there been any decisions by a Canadian regulator that in setting the fair return for a utility considered the

use of the Constant Growth DCF method as the method or one of the methods to use to determine the fair return for the utility? If yes, was any adjustment made for analysts' bias in projected growth rates? Please provide copies of any decisions referred to in the response.

PUB-NP-113 Volume 2, Cost of Capital Report, page 35-39. While the results of the Constant Growth methodology are presented in Figure 42 on page 85, they are not included in Figure 43 or referred to in lines 7-12 on page 86 where the overall recommendation of 9.85% is made. What weight or consideration, in Mr. Coyne's opinion, should the Board give to this methodology in setting the fair return for Newfoundland Power?

PUB-NP-114 Volume 2, Cost of Capital Report, page 39, lines 29-30. Please explain why Mr. Coyne relied on forecasts from Value Line, Zacks, S&P Capital IQ and First Call in his estimate of earnings growth for the near-term stage of the Multi-Stage DCF method. In the response include what other available sources are, why they weren't selected and if the use of these sources for estimates of future growth have been accepted by other regulators.

PUB-NP-115 Volume 2, Cost of Capital Report, page 41, lines 9-14. Mr. Coyne states that the North American Electric Utility Proxy Group is more comparable to Newfoundland Power than the Canadian Utility Proxy Group. In Order No. P.U. 13(2013) and Order No. P.U. 18(2016) the Board decided a downward adjustment should be made to the DCF method to reflect differences in the U.S. and Canadian experience. In Mr. Coyne's opinion no such adjustment is required. Please explain all the factors the Board should consider in determining whether any such adjustment is required at this time.

PUB-NP-116 Volume 2, Cost of Capital Report, page 43. Mr. Coyne uses a three-year average to calculate the long-term forecast for 10-year government bonds and the risk free rate. In Order No. P.U. 18(2016) the Board accepted a forecast risk free rate based on the two test years.

a) Please explain why Mr. Coyne believes a three year and not a two-year period is appropriate to use.
b) Provide Figures 25 and 26 based on a two-year, not a three-year forecast.

PUB-NP-117 Volume 2, Cost of Capital Report, page 44, lines 1-2. Mr. Coyne states that his forecast of the risk free rate is conservative based on the then current 30-year bond yields. Please explain why it is appropriate to use forecasts of the risk free rate rather than the current rate for the CAPM analysis.

PUB-NP-118 Volume 2, cost of Capital Report, page 45, lines 6-7. Mr. Coyne states that the common approach is to use Blume adjusted betas rather than raw betas. Please provide references to all decisions in which Canadian regulators have accepted

the use of adjusted betas in the application of the Capital Asset Pricing Model in determining a fair return for an electrical utility. Provide the same information for U.S. regulators.

PUB-NP-119 Volume 2, Cost of Capital Report, page 46. Mr. Coyne presented both the historical and forward looking Market Risk Premium and at lines 21-22 states he relies on only the historical MRP in his CAPM analysis. "in order to temper the results" of the analysis. Please explain why Mr. Coyne believes that it is necessary to do this.

PUB-NP-120 Volume 2, Cost of Capital Report, page 47, lines 21-22. Mr. Coyne recommends that an adjustment be made of 50 basis points for flotation costs and financing flexibility. In its September, 2023 decision the British Columbia Utilities Commission (BCUC) did not allow this adjustment. Please explain why Mr. Coyne believes it is not appropriate for this Board to take the same position as the BCUC did on this adjustment of 50 basis points for flotation costs and financing flexibility.

PUB-NP-121 Volume 2, Cost of Capital Report, page 50, lines 1-8.

a) Has the Risk Premium methodology been accepted by any Canadian regulator besides the BCUC? If yes, explain whether any adjustments were made and what weighting was given to this methodology in determining the fair return for the utility. Has any Canadian regulator rejected the use of the Risk Premium methodology in determining the fair return for a utility? In the response provide references to the decisions referred to.

b) Explain the strengths and shortcomings of the Risk Premium methodology.

PUB-NP-122 Volume 2, Cost of Capital Report, page 51, Figure 32.

a) Please re-state Figure 32 to include the authorized ROE in 2022, the date of the decision determining the most recent ROE and the date, if known when the ROE is expected to be reviewed by the regulator.

b) Have there been any changes in the authorized ROEs in Figure 32 since it was prepared? If yes, state the new ROEs.

PUB-NP-123 Volume 2, Cost of Capital Report, page 86, lines 1-3. Mr. Coyne provides a "more conservative "estimate of the cost of equity for Newfoundland Power in Figure 43. Please explain why this is necessary and what weight, if any, should be given to the results in Figure 42.

Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne - Capital Structure and Risk Analysis

PUB-NP-124 Volume 2, Cost of Capital Report, pages 55-56, Figures 33 and 34.

a) Please re-state Figures 33 and 34 to include the date when the capital structure was last reviewed and approved by the regulator.

b) Please explain why, in Mr. Coyne's opinion, the approved common equity ratios in Figures 33 and 34 for U.S. utilities are consistently higher than for Canadian utilities and what weight the Board should give to this in setting the ROE and common equity ratio for Newfoundland Power.

PUB-NP-125 Volume 2, Cost of Capital Report, page 59, lines 13-24. Mr. Coyne concludes that Newfoundland Power has a comparable financial risk profile in relation to the U.S. Electric proxy group based on 2022 credit metrics. Please explain Mr. Coyne's conclusion on the comparability of Newfoundland Power's financial risk to that of other Canadian investor-owned electric utilities.

PUB-NP-126 Volume 2, Cost of Capital Report, page 78, lines 3-4. Mr. Coyne concludes that the business risk for Newfoundland Power is above average, which is comparable to that in 2021 during the previous general rate application and concludes that Newfoundland Power has above average business risk compared to other Canadian utilities. In Order No. P.U. 18(2016), page 19, lines 31-33, the Board concluded that Newfoundland Power is an average risk utility compared to other Canadian utilities. Explain how in Mr. Coyne's opinion the Board's decision on Newfoundland Power's business risk profile in comparison to other Canadian utilities, whether average or above average, should be taken into account in assessing Newfoundland Power's capital structure and fair return. Does acceptance of Mr. Coyne's recommendations require the Board to find that Newfoundland Power is an above average risk utility?

PUB-NP-127 In response to PUB-NP-085 filed in the 2022-2023 General Rate Application proceeding, Mr. Coyne noted that "The overall uncertainty surrounding the Muskrat Falls project was a factor in Mr. Coyne's view that Newfoundland Power is an above average risk Canadian electric utility, and these uncertainties remain after the rate mitigation plan."

Has Mr. Coyne's opinion been affected by the rate mitigation payments, provided by the Provincial Government to Newfoundland and Labrador Hydro, of $190.4 million and $144.7 million in March 2023 and August 2023, respectively for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred relating to the Muskrat Falls Project? In the response explain how the uncertainty arising from the Muskrat Falls project for electricity rates continues to influence Mr. Coyne's opinion that Newfoundland Power is an above average risk Canadian electric utility.

PUB-NP-128 Volume 2, Cost of Capital Report, page 83, lines 25-27. Mr. Coyne concludes that the current deemed equity ratio for Newfoundland Power of 45 percent remains the "minimum appropriate level". What in Mr. Coyne's opinion are the implications for the fair return for Newfoundland Power if the approved equity ratio is increased to a higher ratio such as 46% to 50%? In the response explain

how increasing the equity ratio would affect the determination of the approved return on equity for Newfoundland Power and if Mr. Coyne believes it would be appropriate for the equity ratio to be increased.

Volume 2: Cost of Capital: Expert Opinion of Mr. James Coyne – Automatic Adjustment Formula

PUB-NP-129 Volume 2, Cost of Capital Report, page 85, lines 3-11. Please confirm that it is Mr. Coyne's opinion that as formulaic approaches to establishing the fair return for a utility run the risk of deviating from a fair return, they should not be used and that periodic rate hearings remain the best and most reliable method for determining a utility's return on equity.

PUB-NP-130 If Newfoundland Power files its next general rate application with a 2028 test year in the ordinary course, and Mr. Coyne does not believe that the Automatic Adjustment formula should be put in place for 2027, what does Mr. Coyne recommend that the Board order with respect to 2027?

DATED at St. John's, Newfoundland this 14th day of February, 2024.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per

Jo-Anne Galarneau
Board Secretary