

- 1 **Q.** (Reference April 24, 2024 Brattle Report entitled Report on Newfoundland Power's
2 Deferral Accounts) It is stated (page 6) "However, as load requirements on NP 's
3 system increase, the marginal supply cost exceeds the average supply cost recovered
4 in rates."
5 a) Is the converse also true? For example, as load requirements on NP's system
6 decrease, do the marginal supply cost savings exceed the average supply cost
7 recovered in rates?
8 b) The report goes on to say (page 6) "This result is then multiplied by the
9 weather-normalized annual purchases in kWh minus the test year annual
10 purchases in kWh." Is it appropriate to weather-normalize annual purchases?
11 Are NP's revenues and supply cost more directly impacted by actual sales or
12 weather-normalized sales?
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14 **A.** a) The converse statement would also be valid to the extent to which average
15 supply costs recovered in rates included in the test year forecast indicated the
16 second block of energy charge would be required. In this scenario, if
17 Newfoundland Power's system load requirements decreased, such that they
18 would no longer require the second block of energy, or the frequency by which
19 they are in the second block is reduced, then the marginal supply cost savings
20 could exceed the average supply cost recovered in rates.
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22 b) Utilizing weather-normalized sales in the calculation of impacts to revenues and
23 supply costs related to energy sales is a typical process, which typically includes
24 demand side impacts to customer sales due to abnormal weather impacts,
25 which are out of the control of Newfoundland Power. What is unique with
26 Newfoundland Power's approach to weather normalization is the adjustment
27 based on hydrology, which is a power supply side consideration that only
28 partially impacts the variance in Newfoundland Power's hydroelectric
29 generation. For this reason, it is recommended that a report be filed with the
30 Board as part of Newfoundland Power's next General Rate Application to
31 review the appropriateness of the current weather-normalization
32 methodology.