

1 **Q.** **(Reference April 24, 2024 Brattle Report entitled Report on Newfoundland Power's**
2 **Deferral Accounts) It is stated (page 14) "Recommendation: The Board should**
3 **redefine the ESCV deferral to account for both the costs and revenues associated with**
4 **energy supply. Amending the deferral account to track variance in both revenues and**
5 **costs will limit the variability in NP 's ROE associated with energy supply and ensure**
6 **the matching of costs and revenues by both being deferred."**

7 **a)** **Would the variability of NP's ROE be further reduced if the tail-block energy**
8 **charge in the wholesale rate were better aligned with the tail-block energy**
9 **charges in NP's retail rates?**

10 **b)** **How would aligning the tail-block energy charge in the wholesale rate with**
11 **the tail-block energy charges in NP's retail rates impact the need for,**
12 **definitions and operation of NP's deferral accounts?**

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14 **A.** **a)** To the extent that the tail-block energy charge in Newfoundland Power's retail
15 rates was aligned with the wholesale rate, this could also reduce the variability
16 of Newfoundland Power's ROE. However, variability in system load from actual
17 to test year would still result in variability of Newfoundland Power's ROE
18 associated with energy supply.

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20 Furthermore, there may be other considerations and challenges in the
21 designing of retail rates that attempt to recover the tail-block charge perfectly.
22 For example, when should customers begin to pay the tail-block charge, and
23 how are these charges allocated across customer classes? It is also our
24 understanding that Newfoundland Power's current metering capabilities could
25 not support a time-of-use program such as this to determine when the tail-
26 block charge is appropriately applied.

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28 **b)** It is difficult to opine on exactly the impact aligning the tail-block energy charge
29 in the wholesale rate with the tail-block energy charges in Newfoundland
30 Power's retail rates would have without the actual rate design mechanism by
31 which NP would recover these energy charges. As outlined in response to CA-
32 PUB-004, a) the difficulty in terms of rate design and metering capabilities are
33 non-trivial and would need to be considered before determining the actual
34 need for, definitions, and operations of Newfoundland Power's deferral
35 accounts.