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January 12, 2024

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Re: Newfoundland Power Inc.'s 2024 Rate of Return on Rate Base Application – Additional Requests for Information

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") requests for information NLH-NP-011 to NLH-NP-015 in relation to Newfoundland Power Inc.'s 2024 Rate of Return on Rate Base Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/nk

Encl.

ecc:

Board of Commissioners of Public Utilities

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Newfoundland Power Inc.

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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” or the “Company”) for approval of a 2024 forecast average rate base and rate of return on rate base and to establish customer electricity rates for 2024 (the “Application”).

Newfoundland and Labrador Hydro
Requests for Information
NLH-NP-011 to NLH-NP-015

January 12, 2024

1 **NLH-NP-011 Reference: “2024 Rate of Return on Rate Base Application,” Newfoundland Power Inc.,**
2 **November 23, 2023, app. D, p. 1. and Newfoundland Power’s response to NLH-NP-002 of**
3 **this proceeding**

4 Please provide Gross Operating Costs by Breakdown for 2023 Test Year, 2023 Forecast,
5 and 2024 Forecast, including items to reconcile to operating expenses in Appendix D of
6 Newfoundland Power’s “2024 Rate of Return on Rate Base Application.” Include columns
7 showing the dollar and percentage change between 2023 Forecast and 2023 Test Year and
8 the same comparison between 2024 Forecast and 2023 Forecast.

9 **NLH-NP-012 Reference: Newfoundland Power’s response to NLH-NP-003 of this proceeding**

10 As confirmed by Newfoundland Power, the 2024 Forecast Rate of Return on Rate Base is
11 6.21%, which is within the approved return on rate base range of 6.21% to 6.57%. In the
12 absence of direction from the Board of Commissioners of Public Utilities, would
13 Newfoundland Power have filed an application to increase its return on rate base for
14 2024? Please explain why or why not.

15 **NLH-NP-013 Reference: Newfoundland Power’s responses to NLH-NP-003 and PUB-NP-005 of this**
16 **proceeding**

17 In its response to PUB-NP-005 Newfoundland Power stated:

18 In Newfoundland Power’s view, these results show that the Company
19 had an opportunity to earn a just and reasonable return based on the
20 customer rates in effect during each of the years 2013 through 2023.

21 Newfoundland and Labrador Hydro observes that with the exception of two years
22 between 2013 and 2023 where Newfoundland Power was marginally below the midpoint,
23 Newfoundland Power’s rate of return on rate base during that period was either at or
24 above the midpoint.

25 **a)** In Newfoundland Power’s view, what is the purpose of the Board of
26 Commissioners of Public Utilities providing a range of return?

27 **b)** Given that Newfoundland Power is within its approved range of return (6.21%)
28 before the cost recovery proposed within this application is applied, does
29 Newfoundland Power believe that it has the opportunity to earn a just and

1 reasonable return based on customer rates without the proposed cost
2 recovery? Why or why not?

3 **NLH-NP-014 Reference: Footnote 4 of Newfoundland Power’s response to NLH-NP-005 of this**
4 **proceeding; “2024 Rate of Return on Rate Base Application - Additional Information,”**
5 **Newfoundland Power Inc. November 28, 2023; and “2024 Rate of Return on Rate Base**
6 **Application,” Newfoundland Power Inc., November 23, 2023, app. D, pp. 1 and 3**

7 Newfoundland Power stated that:

8 The Company’s existing sales forecast incorporates price elasticity
9 effects associated with forecast electricity prices, including the impact
10 of the 1.5% proposed customer rate increase on July 1, 2024.

11 a) Why is it appropriate to incorporate the impact of the 1.5% proposed customer
12 rate increase on July 1, 2024 in the *existing* sales forecast if the *existing* revenue
13 is not based on the proposed rate?

14 b) Please provide Newfoundland Power’s existing 2024 sales forecast with and
15 without the 1.5% proposed customer rate elasticity impact including the existing
16 revenue from rates for each existing forecast and the associated proposed
17 revenue from rates, using the tables provided.

18 **Table 1: 2024 Sales Forecast with 1.5% Elasticity Impact**

	2024 Existing Sales Forecast (With 1.5% Elasticity Impact)	2024 Proposed Sales Forecast	Variance
Energy Sales (GWh)			
Revenue From Rates (\$)			
Rate Stabilization Account (\$)			
Municipal Tax Account (\$)			
Customer Billings (\$)			
Overall Billing Impact (%)			

Table 2: 2024 Sales Forecast without 1.5% Elasticity Impact

	2024 Existing Sales Forecast (Without 1.5% Elasticity Impact)	2024 Proposed Sales Forecast	Variance
Energy Sales (GWh)			
Revenue From Rates (\$)			
Rate Stabilization Account (\$)			
Municipal Tax Account (\$)			
Customer Billings (\$)			
Overall Billing Impact (%)			

- 1 c) Please verify whether the elasticity effects calculated in the existing sales
2 forecast took into account the timing impact of the July 1, 2024 rate
3 implementation. Additionally, confirm that separate elasticity impacts were
4 calculated for each timing scenario outlined in the "Additional Information"
5 filing.
- 6 d) Please provide a Statement of Income, a Regulated Return on Equity, and a Rate
7 of Return on Rate Base calculation based on an existing 2024 Forecast Before
8 Recovery without 1.5% elasticity impacts incorporated, including comparatives
9 to the "Before Recovery" numbers presented in Appendix D of Newfoundland
10 Power's "2024 Rate of Return on Rate Base Application."

11 **NLH-NP-015 Reference: Newfoundland Power's response to PUB-NP-004 of this proceeding**

12 Newfoundland Power's jurisdictional scan demonstrates that utilities in Ontario and
13 Alberta employing a performance-based regulation rate setting approach adjust their
14 rates through a comprehensive amendment of their Cost of Service, which incorporates
15 inflationary and efficiency adjustments. The utility in British Columbia conducts a wide-
16 ranging evaluation of its Cost of Service and modifies rates to reflect changes each year.
17 The utilities in Atlantic Canada that employ a pure Cost of Service rate setting approach,
18 generally leave the costs associated with their test years unchanged.

19 Newfoundland and Labrador Hydro observes that through the varying rate setting
20 approaches identified in the jurisdictional scan, the utilities generally make
21 comprehensive changes to their costs between test years, or none. These methodologies

1 are in contrast to Newfoundland Power's approach, where adjustments were made to the
2 forecast rate base and return on rate base without testing changes in other components
3 of revenue requirement.

4 Please explain why Newfoundland Power believes that its specific modification to revenue
5 requirement aligns with the rate setting methodologies outlined in the jurisdictional scan.

DATED at St. John's, in the Province of Newfoundland and Labrador this 12th day of January, 2024.



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