Section 3: Finance/Fair Return

Q. Reference: "2025/2026 General Rate Application," Newfoundland Power Inc., December 12, 2023, vol. 1, Evidence, sec. 3.2.8, p. 3-14, f.n. 28.

Footnote 28 states:

> **Cash flow metrics from 2022 to 2026 are negatively impacted by the combination of the current wholesale rate charged by Hydro and an increase in energy sales. Additional energy requirements are purchased from Hydro at a second block rate of 18.165 ¢/kWh. This is substantially higher than additional sales revenue, which reflects an average supply cost rate of 6.940 ¢/kWh. This dynamic results in a negative impact on operating cash flow pre-working capital. Ultimately, any additional costs are collected from customers via the Company's Energy Supply Cost Variance Clause. This dynamic is temporary as it is anticipated that the second block rate will be substantially lower following Hydro's next GRA, reflecting commissioning of the Muskrat Falls Project.**

Would the cash flow metrics be improved if rates were rebased? Please explain why or why not.

A. See the response to Request for Information PUB-NP-061.