

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 19(2022)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1
3 (the “*EPCA*”) and the *Public Utilities Act*, RSNL
4 1990, Chapter P-47 (the “*Act*”), as amended, and
5 regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval,
9 pursuant to sections 70(1) and 71 of the *Act*, of a
10 revised Utility Rate reflecting updated Rate
11 Stabilization Plan Current Plan and Conservation
12 and Demand Management Cost Recovery
13 adjustments and the addition of a Project Cost
14 Recovery Rider.
15
16

17 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
18 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
19 and is also subject to the provisions of the *EPCA*; and
20

21 **WHEREAS** in Order No. P.U. 33(2021) the Board approved the Supply Cost Variance Deferral
22 Account which would be used to defer payments under the Muskrat Falls Project agreements,
23 collect Island Interconnected System supply cost variances, and defer future fuel cost variations
24 from the Holyrood Thermal Generating Station and also ordered that the Rate Stabilization Plan
25 (“RSP”) be maintained to provide for the transparent and timely recovery of the historical balances;
26 and
27

28 **WHEREAS** in Order No. P.U. 4(2022) the Board approved the RSP Rules for Balance Disposition
29 to provide for the disposition of balances accumulated up to October 31, 2021 and the elimination
30 of the RSP Fuel Rider; and
31

32 **WHEREAS** Section C(1.0) of the RSP Rules for Balance Disposition outlines the method for
33 determining the Utility RSP Current Plan Adjustment, which computes a new recovery adjustment
34 based upon the March 31 RSP balance; and
35

36 **WHEREAS** in Order No. P.U. 16(2022) the Board approved the transfer of the 2021 Supply Cost
37 Deferral of approximately \$11.4 million to Newfoundland Power’s RSP Current Plan balance
38 effective March 31, 2022; and

1 **WHEREAS** on May 27, 2022 Hydro filed an application for a revised Utility Rate, including
2 updates to the RSP Current Plan Adjustment and the Conservation and Demand Management
3 (“CDM”) Cost Recovery Adjustment, and the addition of a Project Cost Recovery Rider, all to
4 become effective July 1, 2022 (the “Application”); and
5

6 **WHEREAS** the Application requested that the Board approve a revised Utility Rate effective July
7 1, 2022 reflecting:
8

- 9 i) a revised RSP Current Plan Adjustment of (0.023) cents per kWh;
- 10 ii) a revised CDM Cost Recovery Adjustment of 0.035 cents per kWh;
- 11 iii) a Project Cost Recovery Rider of 0.798 cents per kWh; and
12

13 **WHEREAS** the Application stated that the discontinuance of the RSP Fuel Rider approved in
14 Order No. P.U. 4(2022) will result in an estimated average end-customer bill increase of 1.1%
15 (1.7% increase wholesale) effective July 1, 2022; and
16

17 **WHEREAS** the Application stated that the RSP Current Plan balance as of March 31, 2022 is
18 \$7.6 million owing from customers and results in a revised RSP Current Plan Adjustment of
19 (0.023) cents per kWh, equating to an approximate average end-customer bill decrease of 5.8%
20 effective July 1, 2022; and
21

22 **WHEREAS** the CDM Cost Deferral Account requires Hydro to update the CDM Cost Recovery
23 Adjustment annually to provide recovery, over a seven-year period, of costs transferred to the
24 account each year and resulted in a revised CDM Cost Recovery Adjustment of 0.035 cents per
25 kWh, equating to an approximate average end-customer bill increase of 0.1% effective July 1,
26 2022; and
27

28 **WHEREAS** the Application stated that the estimated overall average rate change for end-
29 customers as a result of the proposed July 1, 2022 adjustments would be an approximate 6.4%
30 decrease and that Hydro believes that such a decrease, in proximity to the likely rate increases
31 necessary to begin recovery of the Muskrat Falls Project costs, would contribute to rate stability
32 concerns; and
33

34 **WHEREAS** Order in Council OC2022-120 amended the wording of OC2013-343, permitting
35 Hydro to begin recovery of the Muskrat Falls Project payments with the commissioning of the
36 Muskrat Falls Hydroelectric Generating Facility and the Labrador Transmission Assets; and
37

38 **WHEREAS** the Application stated the Government of Newfoundland and Labrador
39 (“Government”) provided correspondence to Hydro’s Board of Directors referencing its stated
40 policy goal that electricity rates be maintained at a manageable level and requesting Hydro file its
41 RSP updates with a view to maintaining retail electricity rates as close to current levels as possible
42 for the July 1, 2022 adjustment; and
43

44 **WHEREAS** the Application stated that, to comply with Government’s request, Hydro is
45 proposing to commence recovery of Muskrat Falls Project costs and implement a Project Cost
46 Recovery Rider of 0.798 cents per kWh effective July 1, 2022, with payments to be credited to the
47 Project Cost Recovery - Utility component of the Supply Cost Variance Deferral Account; and

1 **WHEREAS** the Application stated that the proposed Project Cost Recovery Rider in combination
2 with the RSP and CDM Cost Recovery Adjustments would increase the forecast average end-
3 customer bill by 1.4% (2.1% increase wholesale) effective July 1, 2022 and, when combined with
4 Newfoundland Power Inc.'s ("Newfoundland Power") subsequent application to update its Rate
5 Stabilization Account and Municipal Tax Adjustment factors, will result in retail electricity rates
6 continuing to be close to their current levels after July 1, 2022; and
7

8 **WHEREAS** the Application was copied to: Newfoundland Power; the Consumer Advocate,
9 Dennis Browne, Q.C. (the "Consumer Advocate"); a group of Island Industrial Customers: Corner
10 Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc. and Vale
11 Newfoundland and Labrador Limited; Praxair Canada Inc.; and Teck Resources Limited; and
12

13 **WHEREAS** on June 2, 2022 the Board and Newfoundland Power submitted requests for
14 information ("RFIs") which were responded to by Hydro on June 7, 2022; and
15

16 **WHEREAS** on June 10, 2022 Newfoundland Power advised that it does not object to the
17 implementation of the Project Cost Recovery Rider provided supply costs attributable to Island
18 Industrial customers are not borne by Newfoundland Power customers and that rate mitigation
19 amounts received by Hydro are distributed between Hydro customer classes based on cost of
20 service principles; and
21

22 **WHEREAS** Newfoundland Power also requested that Hydro include updates on the timing and
23 amount of future changes to the Project Cost Recovery Rider in its general rate application
24 quarterly updates to provide greater visibility on future rate increases to customers; and
25

26 **WHEREAS** on June 13, 2022 the Consumer Advocate submitted that Hydro has been making
27 payments under the Muskrat Falls Power Purchase Agreement since November 2021 and that the
28 Application is not unreasonable as Hydro can start recovery of costs without imposing a material
29 increase in customer rates; and
30

31 **WHEREAS** the Consumer Advocate further submitted that it is incumbent upon the Board to
32 monitor the mechanics of the proposal; and
33

34 **WHEREAS** on June 14, 2022 Hydro filed a reply noting that both Newfoundland Power and the
35 Consumer Advocate supported the Application and stating that it is unable to make determinations
36 regarding future rate increases until further information is available and that its current reporting
37 processes are sufficient to ensure the parties have as much visibility regarding future rate increases
38 as possible; and
39

40 **WHEREAS** the Board believes that, to enhance the transparency and predictability of rates, Hydro
41 should provide information related to its plans for other rate changes in advance of its next general
42 rate application associated with the recovery of Muskrat Falls Project costs, and the Board will, in
43 separate correspondence, establish additional reporting requirements for Hydro; and
44

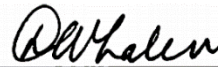
45 **WHEREAS** the Board is satisfied that the proposed RSP Current Plan Adjustment and CDM Cost
46 Recovery Adjustment are consistent with the RSP Rules for Balance Disposition and the CDM
47 Cost Deferral Account; and

1 **WHEREAS** the Board is also satisfied that implementation of the proposed Project Cost Recovery
2 Rider is appropriate in the circumstances and that the proposed Utility Rate should be approved.
3
4

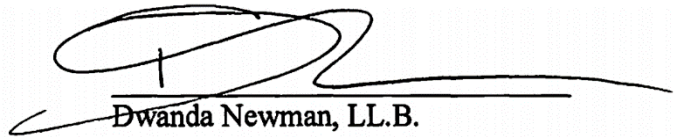
5 **IT IS THEREFORE ORDERED THAT:**
6

- 7 1. The proposed Utility Rate as set out in Schedule A to this Order, to be effective on all electrical
8 consumption on and after July 1, 2022, is approved.
9
10 2. Hydro shall pay all expenses of the Board arising from the Application.

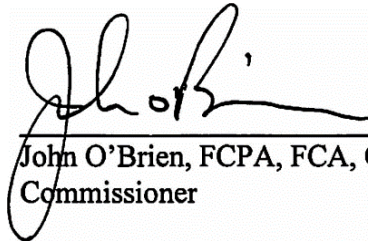
DATED at St. John's, Newfoundland and Labrador, this 21st day of June, 2022.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer




Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner


Cheryl Blundon
Board Secretary

**NEWFOUNDLAND AND LABRADOR HYDRO
SCHEDULE OF RATES, RULES AND REGULATIONS
UTILITY**

Availability

This rate is applicable to service to Newfoundland Power (“NP”).

Definitions

“Billing Demand”

The Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below.

In the months of January through March, billing demand shall be the greater of:

- a) The highest Native Load less the Generation Credit and the Curtailable Credit, beginning in the previous December and ending in the current month; and
- b) The Minimum Billing Demand.

In the months of April through December, billing demand shall be the greater of:

- a) The Weather-Adjusted Native Load less the Generation Credit and the Curtailable Credit, plus the Weather Adjustment True-up; and
- b) The Minimum Billing Demand.

If at the time of establishing its Maximum Native Load, NP has been requested by Hydro to reduce its Native Load by shedding curtailable load, the calculation of Billing Demand for each month shall not deduct the Curtailable Credit.

“Generation Credit” refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	83,486
Thermal Generation Credit	34,568
Newfoundland Power Generation Credit	118,054

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, NP will be provided with an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

“Curtailable Credit” is determined based upon NP's forecast curtailable load available for the period in accordance with the terms and conditions set forth in NP's Curtailable Service Option. NP will notify Hydro of its available curtailable load with its forecast of annual and monthly electricity requirements.

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In order to receive the Curtailable Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtailable Credit. This will be verified in a test by curtailing load at a minimum of this level for a period of one hour. The test will be carried out at a mutually agreed time in December. If the level is not sustained, the Curtailable Credit will be reduced to the level sustained. If Hydro requests NP to curtail load before a test is completed and NP demonstrates the capability to curtail to the level of the Curtailment Credit, no test will be required.

NP will be required to provide a report to Hydro no later than April 15 to demonstrate the amount of load curtailed for each request of Hydro during the previous winter season. If the load curtailed is less than forecast for either request during the winter season, the annual Curtailable Credit will be adjusted to reflect the average load curtailed for the winter season. If NP is not requested to curtail during the winter season, the Curtailment Credit will be established based upon the lesser of the load reduction achieved in the test or the forecast curtailable load (as provided in the previous two paragraphs).

“Maximum Native Load” means the maximum Native Load of NP in the four-month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit and the Curtailable Credit.

The Curtailable Credit reflected in the Minimum Billing Demand will be set to equal the curtailable load used to determine the Maximum Native Load for NP for the most recently approved Test Year.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

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“Native Load” is the sum of:

- a) The amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen-minute period thereafter;
- b) The total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load
plus (Weather Adjustment, rounded to 3 decimal places, x 1,000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- a) The greater of:
 - The Weather Adjusted Native Load less the Generation Credit and the Curtailable Credit (if applicable), times three; and
 - The Minimum Billing Demand, times three; and
- b) The sum of the actual billed demands in the Months of January, February and March of the current year.

**NEWFOUNDLAND AND LABRADOR HYDRO
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UTILITY**

Monthly Rates

Billing Demand Charge

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

Demand Charge.....\$5.00 per kW of Billing Demand

Energy Charge

November– April

First 410,000,000 kilowatt-hours*..... @ 2.444¢ per kWh
All excess kilowatt-hours*..... @ 18.165¢ per kWh

May–October

First 250,000,000 kilowatt-hours*..... @ 2.444¢ per kWh
All excess kilowatt-hours*..... @ 18.165¢ per kWh

Firming-Up Charge

Secondary energy supplied by
Corner Brook Pulp and Paper Limited*..... @ 2.882¢ per kWh

RSP Adjustment - Current Plan..... @ (0.023)¢ per kWh

Project Cost Recovery Rider..... @ 0.798¢ per kWh

CDM Cost Recovery Adjustment..... @ 0.035¢ per kWh

***Subject to RSP Adjustment, CDM Cost Recovery Adjustment, and Project Cost Recovery Rider**

Adjustment for Losses

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

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Adjustment for Station Services and Step-Up Transformer Losses

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering shall be applied to the metered demand.

Weather Adjustment

This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- a) Weather adjustment shall be undertaken for use in determining NP's Billing Demand.
- b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- c) By September 30th of each year, Hydro shall provide NP with an updated weather adjustment coefficient incorporating the latest year of actuals.
- d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weigh regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, weather data from Environment Canada and/or wind chill formulation.
- e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition of underlying weather data.
- f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of the Weather-Adjusted Native Load by April 5th of each year.

General

This rate schedule does not include the Harmonized Sales Tax (HST) that applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach a mutual agreement, the billing will be based on Hydro's best estimate.