

Office of the Consumer Advocate

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May 7, 2018

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

**Re: Hydro's Application regarding a Motion for the Deferral of Cost of Service
Methodology Issues Raised in the 2017 General Rate Application to the
Cost of Service Methodology Review Hearing**

On May 4, 2018 Hydro filed a letter with the Board relating to its Application "*regarding a Motion for the Deferral of Cost of Service Methodology Issues raised in the 2017 General Rate Application to the Cost of Service Methodology Review Hearing – Hydro's Reply*". The Consumer Advocate's position on cost of service is very simple. Either:

- All cost of service issues raised by the parties be considered at the 2017 GRA; or
- No cost of service issues raised by the parties be considered at the 2017 GRA with all matters deferred to the Cost of Service Methodology Review.

In an effort to address regulatory efficiency, the Consumer Advocate proposes that all cost of service matters be deferred to the Cost of Service Methodology Review. Following is the Consumer Advocate's proposal on cost of service.

Consumer Advocate Proposal on Cost of Service for the 2017 GRA

All cost of service issues deferred to the Cost of Service Methodology Review Hearing. More specifically:

- 1) All cost of service issues accepted as proposed by Hydro with the exception of the change in methodology for specifically-assigned operating and maintenance costs. Resolution of this issue, and cost of service issues raised by the Consumer Advocate, the Island Industrial Customers, Newfoundland Power and Hydro deferred to future hearings.

- 2) The tail-block energy charge for the Newfoundland Power wholesale rate remains at 10.4 cents/kWh consistent with Hydro's proposal in the 2018 Interim Rates Application concerning Newfoundland Power.
- 3) The cost of service study referred to as the Expected Supply Scenario in Hydro's compliance filing accepted as the basis for rates and customer class cost allocations in the 2018 and 2019 test years.
- 4) The parties through negotiations decide whether or not it is desirable to include a rate rider or surcharge to recover revenues beyond the approved revenue requirement for the purposes of future rate mitigation.

Summary

In its May 4, 2018 submission Hydro states "*the Consumer Advocate's recommendations are not consistent with regulatory efficiency, will result in a protracted 2017 GRA schedule, will increase the risk of schedule delays for other matters before the Board, and will risk delaying final customer rates in 2019, resulting in intergenerational inequity*". The Consumer Advocate submits that relative to Hydro's submission, the proposal outlined above is ***more consistent with regulatory efficiency, is less likely to result in a protracted 2017 GRA schedule, is less likely to increase the risk of schedule delays for other matters before the Board, and is less likely to risk delaying final customer rates in 2019, resulting in intergenerational inequity***. It accomplishes this by removing all cost of service issues from the 2017 GRA, rather than only those raised by the Consumer Advocate, and deferring all issues to the Cost of Service Methodology Review.

The Consumer Advocate's proposal provides a fair and efficient settlement of cost of service issues as it would eliminate the need for further discussion of cost of service and the need to call expert witnesses except as might be required to assist in the determination of the cost of service scenario to be used as the basis for revenue requirement and cost allocation.

Please contact the undersigned if you have any questions.

Yours truly,



Stephen Fitzgerald
Counsel for the Consumer Advocate

/bb

cc

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