

May 17, 2018

**Via Email & Courier**

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

**Attention: Ms. Cheryl Blundon**  
**Director of Corporate Services & Board Secretary**

Dear Ms. Blundon:

**Re: Application of Newfoundland and Labrador Hydro (Hydro) regarding a Motion for the Deferral of Costs of Service Methodology Issues raised in the 2017 General Rate Application (2017 GRA) to the Cost of Service Methodology Review Hearing (the Application)**

Hydro files the following comments in response to the submission of the Consumer Advocate dated May 7, 2017 relating to the Application.

The Consumer Advocate's proposal that *"no cost of services issues raised by the parties be considered at the 2017 GRA with all matters deferred to the Cost of Service Methodology Review"* is unacceptable to Hydro. The proposal is impractical and contrary to the principle of regulatory efficiency.

The Consumer Advocate effectively proposes that the methodological matters set out in the 2017 GRA, specifically those referenced at paragraph 17 of the Application, not be determined in the present proceeding but rather be deferred to the Cost of Service Methodology Review Hearing scheduled for later in 2018. This is impractical for multiple reasons. The methodological issues raised by Hydro are necessary to the determination of the 2017 GRA. Moreover, by letter dated September 9, 2016, the Board confirmed the necessity of addressing the presented Cost of Service methodology issues in the 2017 GRA, most specifically the methodology for calculating specifically assigned charges, prior to the inclusion of Muskrat Falls Project costs in Hydro's Cost of Service (cited at paragraph 10 of the Application). These Cost of Service methodology matters are ongoing from the 2013 GRA for which Hydro has submitted expert evidence to support its proposals. As stated in Hydro's reply submission dated May 4, 2018, it is incumbent on all parties to ensure an efficient hearing for Hydro's 2017 GRA, particularly in light of the Board's crowded near-term regulatory schedule. It is Hydro's position that the Cost of Service methodology matters presented in its 2017 GRA will be most efficiently and effectively examined in the present proceedings.

The Consumer Advocate's alternate proposal, that *"all cost of service issues raised by the parties be considered at the 2017 GRA"* is similarly unacceptable to Hydro, for the reasons set out in Hydro's reply submission dated May 4, 2018.

The Consumer Advocate's further proposals, 3 and 4, read as follows:

- 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.*

Hydro submits that these issues do not relate to the Cost of Service methodology issues framed by the motion but rather extend to consideration of the 2017 GRA at large. These issues should not be determined at this stage as, to date, there is insufficient evidence and discussion of these matters on the record for the Board to make these determinations. Hydro remains open to discussions and negotiation on both of these issues.

Should you have any questions, please contact the undersigned.

**NEWFOUNDLAND AND LABRADOR HYDRO**



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Geoffrey P. Young  
Corporate Secretary & General Counsel  
GPY/skc

cc: Gerard Hayes - Newfoundland Power  
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