



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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2023-05-11

Ms. Shirley Walsh
Senior Legal Counsel - Regulatory
Newfoundland and Labrador Hydro
P.O. Box 12400
St. John's, NL A1B 4K7

Dear Ms. Walsh:

**Re: Newfoundland and Labrador Hydro - Application for Non-Firm Rates
To NLH - Requests for Information**

Enclosed are Requests for Information PUB-NLH-009 to PUB-NLH-022 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacquelyn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Yours truly,


Cheryl Blundon

Board Secretary

CB/cj
Enclosure

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1 **IN THE MATTER OF**
2 the **Electrical Power Control Act, 1994**,
3 SNL 1994, Chapter E-5.1 (the “**EPCA**”)
4 and the **Public Utilities Act**, RSNL 1990,
5 Chapter P-47 (the “**Act**”), as amended,
6 and regulations thereunder; and
7

8 **IN THE MATTER OF** a revised application
9 by Newfoundland and Labrador Hydro for
10 approval of a rate for Non-Firm Service in
11 Labrador, and other associated matters,
12 and for the revision of the Supply Cost
13 Variance Deferral Account definition,
14 pursuant to section 70 of the **Act**.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NLH-009 to PUB-NLH-022

Issued: May 11, 2023

- 1 **PUB-NLH-009** Schedule 2, page 1. Under “Availability”, it states that Hydro shall supply non-
2 firm energy to customers at such times that Hydro has electricity available in
3 excess of the amount it requires to meet the firm service requirements of its
4 customers and Hydro may also interrupt or curtail the supply of non-firm
5 energy at its sole discretion to deal with system constraints.
6
7 (a) Does the definition of system constraints provided in NP-NLH-011
8 capture all of the reasons why Hydro would interrupt or curtail the
9 supply of non-firm service?
10 (b) Does Hydro have the discretion not to provide the supply of non-firm
11 energy for reasons other than system constraints, for example, for
12 economic reasons or until market prices increased? Please explain.
13
14 **PUB-NLH-010** Schedule 2, page 2, Clause 1 of the Terms and Conditions. Is it appropriate that
15 this statement only address that the energy may be interrupted at any time to
16 deal with system constraints? Does Hydro have the discretion to simply not
17 provide this energy? Please explain.
18
19 **PUB-NLH-011** Schedule 2, page 3, Clause 15 of the Terms and Conditions. Hydro states that
20 it will maintain separate regions for Labrador East and Labrador West for the
21 purpose of allocation and monitoring the use of non-firm capacity.
22
23 (a) Is it possible for the customers in the Labrador West region to receive
24 the non-firm service from the Labrador East region until the customers
25 in Labrador East meet the requirements to receive the non-firm service?
26 (b) Are there operational issues that would prevent power in Labrador East
27 from being transmitted to Labrador West and vice versa? If so, please
28 explain.
29
30 **PUB-NLH-012** Schedule 2, page 3, Clause 16 of the Terms and Conditions. Please explain the
31 rationale of why the non-firm capacity of a non-firm customer that
32 discontinues service is first only shared among the remaining existing
33 customers and not offered to any potential new applicants? Under this
34 scenario is it not possible for one customer to have all of the available non-
35 firm service if the other customers in a specific region discontinued service?
36
37 (a) Does this condition only apply to a permanent discontinuation of
38 service? Please explain.
39 (b) Please explain what would occur if a non-firm customer requests a
40 temporary discontinuation of service. Would the customer’s power be
41 shared among the remaining non-firm customers?

- 1 **PUB-NLH-013** How will the Island Industrial customers be informed and aware of when the
2 Non-Firm Energy Charge will be calculated using the “Non-Thermal Generation
3 Source” or the “Thermal Generation Source”? Should this be included in the
4 Schedule of Rates, Rules and Regulations or in the Island Industrial customer’s
5 contracts?
6
- 7 **PUB-NLH-014** Schedule 1: Evidence, page 12. Hydro is proposing to eliminate the Secondary
8 Energy Rate on the Labrador Interconnected System that is available for
9 customers engaged in fuel switching. Has Hydro provided any communication
10 to CFB Goose Bay and/or any other customer who may have availed of this
11 rate regarding the proposed elimination of this rate? If so, please provide.
12
- 13 **PUB-NLH-015** Hydro is proposing to calculate the non-firm rate using export market prices
14 based on actual information that occurred two months prior to the effective
15 date of the rate. For example, the rate for October would be based on the data
16 for exports that occurred in August.
17
- 18 (a) Please explain the logistics required for Hydro to set the market non-firm
19 rate on a more frequent basis, such as weekly or daily.
20 (b) What are the challenges, including the risks and cost, of setting the rate
21 more frequently and using more recent data?
22 (c) Did Hydro conduct analysis to support the frequency of its proposed rate
23 design? If so, please provide.
24 (d) Further to Hydro’s response to IC-NLH-006, why does Hydro require
25 more experience before considering revisions to the timing of price
26 variations for the non-firm rate and possibly provide a more frequent
27 and timelier rate?
28 (e) Does the commissioning of the Labrador Island Link on April 14, 2023
29 provide Hydro with more certainty on the appropriate source of market
30 data and frequency used to calculate a rate to use for the provision of
31 non-firm service?
32 (f) Based on the actual weighted average of exports experienced in each of
33 the last twelve months, please calculate the rate that would have been
34 set for each month under the proposed rate design and compare it to
35 the actual weighted average export price that occurred for each of the
36 months. Provide the monthly potential revenue impacts.
37
- 38 **PUB-NLH-016** As the non-firm customers can choose to take service at any point in time,
39 might this scenario result in lower overall energy revenue as compared to
40 potential export revenues. If non-firm customers were to refuse to purchase
41 power for a particular month because of price, does Hydro have the ability to
42 export this power on short notice or would it be considered loss revenue for
43 the utility?

- 1 **PUB-NLH-017** Please explain why Hydro considers it appropriate to use the energy price
2 component of the Rate 2.4L (1.675 cents/kWh) which applies to large General
3 Service customers on the Labrador Interconnected System as the minimum
4 price for setting the non-firm rate for the Labrador Interconnected System and
5 the Island Industrial customers. Are there other alternatives that Hydro
6 considered?
7
- 8 **PUB-NLH-018** Please confirm when BlockLab's current contract will be terminated: upon the
9 Boards' approval of the rate design, the effective date of the rate or another
10 date?
11
- 12 **PUB-NLH-019** Does BlockLab currently meet the requirements for connection that are
13 proposed in the Revised Application?
14
- 15 **PUB-NLH-020** In its response to NP-NLH-013, Hydro stated that the provision of non-firm
16 service does not have any foreseeable impact on firm water sources that serve
17 the Island Interconnected System over both the short-term and the long-term
18 time horizons. Please explain.
19
- 20 **PUB-NLH-021** Page 5 of the Revised Application, paragraph 21. Please confirm that as a result
21 of the commissioning of the Labrador Island Link on April 14, 2023, the
22 marginal cost of energy on the Island Interconnected System is now
23 considered to be the market value of exports going forward.
24
- 25 **PUB-NLH-022** Schedule 1, page 10. Hydro explains that since the usage of non-firm energy
26 by the Island Industrial customers is projected to be materially higher in the
27 future because of the potential of lower rates due to the change in marginal
28 costs, the use of the 10% loader currently included in the Island Industrial
29 customer's rate would not be considered cost base. However, Hydro also
30 stated that it will be incurring administrative costs in the provision of non-firm
31 service and is proposing a monthly Basic Customer Charge of \$85.25 per
32 month for non-firm customers on the Labrador Interconnected System.
33
- 34 (a) Please explain the rationale for Hydro's decision to eliminate the 10%
35 administrative charge for the Island Industrial customers but propose the
36 \$85.25 monthly charge for non-firm customers on the Labrador
37 Interconnected System.
- 38 (b) In its response to PUB-NLH-001, Hydro stated that they have not yet
39 completed a detailed analysis with respect to the annual administrative
40 cost of making the Labrador Interconnected System non-firm rate
41 available, however they believe that using the same Basic Customer
42 Charge as is currently used by Newfoundland Power in serving its Rate
43 2.4 customers is a reasonable approach in implementing the Labrador

- 1 Interconnected System non-firm rate. Does Hydro believe that this
2 approach would provide a cost-based rate? If so, please explain.
3 (c) When does Hydro plan to complete a detailed analysis of its annual
4 administrative cost of providing the non-firm rate to the Labrador
5 Interconnected System?

DATED at St. John's, Newfoundland and Labrador, this 11th day of May 2023.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES


Cheryl Blundon
Board Secretary