



Newfoundland and Labrador Hydro
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June 27, 2023

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

Attention: Cheryl Blundon
Director of Corporate Services and Board Secretary

Re: Application for July 1, 2023 Island Industrial Customer Conservation and Demand Management Cost Recovery Adjustment

Please find enclosed Newfoundland and Labrador Hydro's ("Hydro") application for approval of the proposed Island Industrial Customer Conservation and Demand Management ("CDM") Cost Recovery Adjustment, to become effective July 1, 2023.

In Order No. P.U. 37(2022),¹ the Board of Commissioners of Public Utilities approved a Revised CDM Cost Recovery Adjustment Definition effective as of January 1, 2023. The Revised CDM Cost Recovery Adjustment Definition increased the amortization period of annual CDM costs from seven to ten years for both historical balances and annual charges.

Hydro is proposing a decrease of 0.009 cents per kWh to the existing CDM Cost Recovery Adjustment of 0.014 cents per kWh, for a total CDM Cost Recovery Adjustment of 0.005 cents per kWh. This proposed reduction in the CDM Cost Recovery Adjustment is as a result of the change in the amortization period. The estimated billing impact of this decrease for the Island Industrial Customer class based on the 2022 energy consumption would be approximately 0.1% or \$35,000 annually.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

¹ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 37(2022), Board of Commissioners of Public Utilities, December 16, 2022.

Cheryl Blundon
Board of Commissioners of Public Utilities

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Board of Commissioners of Public Utilities

Jacqui H. Glynn
PUB Official Email

Consumer Advocate

Dennis M. Browne, KC, Browne Fitzgerald Morgan & Avis
Stephen F. Fitzgerald, Browne Fitzgerald Morgan & Avis
Sarah G. Fitzgerald, Browne Fitzgerald Morgan & Avis
Bernice Bailey, Browne Fitzgerald Morgan & Avis

Linde Canada Inc.

Sheryl E. Nisenbaum
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Newfoundland Power Inc.

Dominic J. Foley
Lindsay S.A. Hollett
Regulatory Email

Teck Resources Limited

Shawn Kinsella

Island Industrial Customer Group

Paul L. Coxworthy, Stewart McKelvey
Denis J. Fleming, Cox & Palmer
Dean A. Porter, Poole Althouse

Conservation and Demand Management Cost Recovery Adjustment

Effective July 1, 2023

June 27, 2023

An application to the Board of Commissioners of Public Utilities



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”), pursuant to Subsection 70(1) of the *Act*, for the approval of a change in the Conservation and Demand Management (“CDM”) Cost Recovery Adjustment to be charged to Island Industrial Customers effective July 1, 2023.

To: The Board of Commissioners of Public Utilities (“Board”)

THE APPLICATION OF HYDRO STATES THAT:

A. Background

1. Hydro, a corporation continued and existing under the *Hydro Corporation Act, 2007*,¹ is a public utility within the meaning of the *Act*, and is subject to the provisions of the *EPCA*.
2. Under the *Act*, the Board has the general supervision of public utilities and requires that a public utility submits for the approval of the Board the rates, tolls, and charges for the service provided by the public utility and the rules and regulations that relate to that service.
3. Subsection 70(1) of the *Act* provides that a public utility shall not charge, demand, collect or receive compensation for a service performed by it until the Board has approved a schedule of rates, tolls, and charges for the services provided by the public utility.
4. In Board Order No. P.U. 22(2017),² the Board approved Hydro’s Rules and Regulations for CDM Cost Recovery, which require the CDM Cost Recovery Adjustment to be updated annually reflecting the ongoing amortizations and the deferred CDM program costs for the previous year.

¹ *Hydro Corporation Act, 2007*, SNL 2007 c H-17.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 22(2017), Board of Commissioners of Public Utilities, June 14, 2017.

5. In Order No. P.U. 37(2022),³ the Board approved a Revised CDM Cost Recovery Adjustment Definition effective as of January 1, 2023. The Revised CDM Cost Recovery Adjustment Definition increased the amortization period of annual CDM costs from seven to ten years for both historical balances and annual charges.
6. In Board Order No. P.U. 23(2022),⁴ the Board approved an Island Industrial Customer CDM Cost Recovery Adjustment of 0.014 cents per kWh effective July 1, 2022.

B. Application

7. Approval by the Board of the proposed Island Industrial Customer CDM Cost Recovery Adjustment will permit for recovery of deferred customer energy conservation program costs, as provided for, and intended by, Board Order No. P.U. 22(2017) and Board Order No. P.U. 37(2022).
8. Schedule 1 to this application provides the calculation of the proposed CDM Cost Recovery Adjustment of 0.005 cents per kWh to become effective July 1, 2023. The proposed CDM Cost Recovery Adjustment is 0.009 cents per kWh lower than the existing CDM Cost Recovery Adjustment of 0.014 cents per kWh as a result of the change in the amortization period.
9. Schedule 2 to this application provides an updated Island Industrial Customer rate sheet, reflecting the revised Island Industrial Customer CDM Cost Recovery Adjustment.

C. Newfoundland and Labrador Hydro's Request

10. Hydro requests the Board approve its proposed Island Industrial Customer CDM Cost Recovery Adjustment of 0.005 cents per kWh, as set out in Schedule 1 of this application, to be effective July 1, 2023.

D. Communications

11. Communications with respect to this application should be forwarded to Shirley A. Walsh, Senior Legal Counsel, Regulatory for Hydro.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 37(2022), Board of Commissioners of Public Utilities, December 16, 2022.

⁴ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 23(2022), Board of Commissioners of Public Utilities, July 8, 2022.

DATED at St. John's in the province of Newfoundland and Labrador on this 27th day of June 2023.

NEWFOUNDLAND AND LABRADOR HYDRO

A handwritten signature in blue ink, appearing to read "Shirley A. Walsh", is written over a horizontal line.

Shirley A. Walsh
Counsel for the Applicant
Newfoundland and Labrador Hydro,
500 Columbus Drive, P.O. Box 12400
St. John's, NL A1B 4K7
Telephone: (709) 685-4973

Schedule 1

Calculation of the Proposed Island Industrial Customer
Conservation and Demand Management Cost Recovery
Adjustment



Newfoundland and Labrador Hydro
Calculation of Conservation and Demand Management ("CDM") Cost Recovery Adjustment - Island Industrial Customers

Line No	2022 Energy Sales (kWh)	Percent of Total kWh	Allocation of Recoverable Amount (\$000)
1	A) Island Interconnected Recoverable Allocation¹		
2			
3	5,508,828,724	86.8%	183
4	386,269,967	6.1%	13
5	454,931,226	7.2%	15
6	6,350,029,917	100.0%	211
7			From Page 2, Line 19
8			
9	B) Calculation of Island Industrial Customer CDM Cost Recovery Adjustment		
10	Island Industrial Current Year Allocation (\$000)	1	Line 4/10 years
11	2022 Energy Sales - Island Industrial Customers (kWh)	386,269,967	From Line 4
12	2023 CDM Cost Recovery Adjustment (cents per kWh)	0.0003	[(Line 10 x 1,000)/Line 11] x 100
13	2022 CDM Cost Recovery Adjustment (cents per kWh)	0.0005	
14	2021 CDM Cost Recovery Adjustment (cents per kWh)	0.0003	
15	2020 CDM Cost Recovery Adjustment (cents per kWh)	0.0010	
16	2019 CDM Cost Recovery Adjustment (cents per kWh)	0.0005	
17	2018 CDM Cost Recovery Adjustment (cents per kWh)	0.0004	
18	2017 CDM Cost Recovery Adjustment (cents per kWh)	0.0020	
19	Total CDM Cost Recovery Adjustment (cents per kWh)	0.005	Line 12 + Line 13 + Line 14 + Line 15 + Line 16 + Line 17 + Line 18

¹Totals may not add due to rounding.

Conservation and Demand Management Cost Recovery Adjustment Effective July 1, 2023
Schedule 1, Page 2 of 3

Conservation and Demand Management Account Amortization (\$000)¹

Line No	Year	System	As Filed - Seven-Year Amortization							As of June 30, 2023												
			2017	2018	2019	2020	2021	2022	Amount Amortized	Remaining Account Balance	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
1		Island Interconnected	4,524																			
2	2016	Hydro Rural Isolated	3,846	646	646	646	646	646	646	646	3,878	646	162	162	162	162	162	162	162	162	162	162
3	Total²		8,370	1,196	1,196	1,196	1,196	1,196	1,196	1,196	7,175	1,196	299	299	299	299	299	299	299	299	299	299
4		Island Interconnected	479	68	68	68	68	68	68	68	342	137	27	27	27	27	27	27	27	27	27	27
5	2017	Hydro Rural Isolated	994	142	142	142	142	142	142	142	710	284	57	57	57	57	57	57	57	57	57	57
6	Total²		1,474	211	211	211	211	211	211	1,093	421	84	84	84	84	84	84	84	84	84	84	84
7		Island Interconnected	443	63	63	63	63	63	63	63	253	190	32	32	32	32	32	32	32	32	32	32
8	2018	Hydro Rural Isolated	1,085	465	155	155	155	155	155	620	465	78	78	78	78	78	78	78	78	78	78	78
9	Total²		1,528	218	218	218	218	218	218	873	655	109	109	109	109	109	109	109	109	109	109	109
10		Island Interconnected ³	43	-	-	-	-	-	-	-	18	24	3	3	3	3	3	3	3	3	3	3
11	2019	Hydro Rural Isolated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Total⁴		43	-	-	-	-	-	-	-	18	24	3	3	3	3	3	3	3	3	3	3
13		Island Interconnected	681	-	-	-	97	97	97	195	487	61	61	61	61	61	61	61	61	61	61	61
14	2020	Hydro Rural Isolated	1,343	-	-	-	192	192	192	384	959	120	120	120	120	120	120	120	120	120	120	120
15	Total^{2,4}		2,024	-	-	-	289	289	289	578	1,446	181	181	181	181	181	181	181	181	181	181	181
16		Island Interconnected	313	-	-	-	-	45	45	45	268	30	30	30	30	30	30	30	30	30	30	30
17	2021	Hydro Rural Isolated	1,167	-	-	-	-	167	167	167	1,000	111	111	111	111	111	111	111	111	111	111	111
18	Total²		1,480	-	-	-	-	211	211	211	1,268	141	141	141	141	141	141	141	141	141	141	141
19		Island Interconnected	211	-	-	-	-	-	-	-	211	21	21	21	21	21	21	21	21	21	21	21
20	2022	Hydro Rural Isolated	885	-	-	-	-	-	-	-	885	88	88	88	88	88	88	88	88	88	88	88
21	Total²		1,095	-	-	-	-	-	-	-	1,095	110	110	110	110	110	110	110	110	110	110	110
22		Island Interconnected	6,694	715	778	784	881	926	926	4,731	1,962	336	336	336	336	336	336	336	336	336	336	336
23	2023	Hydro Rural Isolated	9,320	691	846	846	1,038	1,205	1,205	5,177	4,143	591	591	591	591	591	591	591	591	591	591	591
24	Grand Total		16,014	1,406	1,625	1,631	1,920	2,131	2,131	9,908	6,105	927	927	927	927	927	927	927	927	927	927	927

¹ Totals may not add due to rounding.

² Consistent with the "2022 Conservation and Demand Management Report," Newfoundland and Labrador Hydro, March 31, 2023, p. 13, Table 5.

³ Amortization for Island Industrial Customer's portion of 2019 Island Interconnected costs began July 1, 2020. Newfoundland Power Inc.'s portion was deferred per Order-in-Council OC2020-081 and amortization began July 1, 2021.

⁴ The total for 2019 and 2020 of \$2.1 million includes activity for 2019 of \$1.5 million and 2020 of \$0.6 million.

Conservation and Demand Management Cost Recovery Adjustment¹
Island Industrial Customers

Line No	Year	Energy Sales (kWh)	As Approved - 7-Year Amortization Period ²			As of June 30, 2023			Revised - 10-Year Amortization ³		
			IIC Allocation of CDM Account Balance \$000	Annual Amortization \$000	CDM Cost Recovery Adjustment ¢/kWh	Years Amortized	Amount Amortized \$000	Remaining Account Balance \$000	Remaining Amortization Period	Annual Amortization \$000	CDM Cost Recovery Adjustment ¢/kWh
	A	B	C	D	E	F = (C x E)	G = (B-F)	H = (10 - E)	I = (G/H)	J = (I x 1000) / A x 100	
1	2016	505,383,550	335	48	0.009	6	287	48	4	12	0.0020
2	2017	585,829,777	40	6	0.001	5	29	11	5	2	0.0004
3	2018	622,246,643	40	6	0.001	4	23	17	6	3	0.0005
4	2019	617,877,185	43	6	0.001	3	18	25	7	4	0.0010
5	2020	452,051,689	16	2	0.001	2	5	11	8	1	0.0003
6	2021	419,058,479	21	3	0.001	1	3	18	9	2	0.0005
7	2022	386,269,967				0	0	13	10	1	0.0003
8	Total CDM Cost Recovery Adjustment (cents/kWh)			0.014		365	143		25	0.005	

¹ Totals may not add due to rounding.

² *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 26(2017), Board of Commissioners of Public Utilities, July 6, 2017 approved the 2016 Cost Recovery Adjustment.

Public Utilities Act, RSNL 1990, c P-47, Board Order No. P.U. 21(2018), Board of Commissioners of Public Utilities, June 22, 2018 approved the 2017 Cost Recovery Adjustment.

Public Utilities Act, RSNL 1990, c P-47, Board Order No. P.U. 24(2019), Board of Commissioners of Public Utilities, June 17, 2019 approved the 2018 Cost Recovery Adjustment.

Public Utilities Act, RSNL 1990, c P-47, Board Order No. P.U. 19(2020), Board of Commissioners of Public Utilities, June 30, 2020 approved the 2019 Cost Recovery Adjustment.

Public Utilities Act, RSNL 1990, c P-47, Board Order No. P.U. 25(2021), Board of Commissioners of Public Utilities, July 13, 2021 approved the 2020 Cost Recovery Adjustment.

Public Utilities Act, RSNL 1990, c P-47, Board Order No. P.U. 23(2022), Board of Commissioners of Public Utilities, July 8, 2022 approved the 2021 Cost Recovery Adjustment.

³ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 37(2022), Board of Commissioners of Public Utilities, December 16, 2022.

Schedule 2

Island Industrial Customer Rate Sheets



INDUSTRIAL – FIRM

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Base Rate*

Demand Charge

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$10.73 per kilowatt (kW) per month of billing demand.

Firm Energy Charge

Base Rate @ 4.428¢ per kWh

RSP Adjustment

Current Plan @ 1.477¢ per kWh

CDM Cost Recovery Adjustment.....@ 0.005¢ per kWh

Specifically Assigned Charges

The table below contains the additional annual specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$13,311
Braya Renewable Fuels (Newfoundland) GP Inc.	\$107,678
Teck Resources Limited	\$51,789
Vale	\$145,352

***Subject to RSP Adjustments and CDM Cost Recovery Adjustment**

RSP Adjustments refers to all applicable adjustments arising from the operation of Hydro’s Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

The CDM Cost Recovery Adjustment is updated annually to provide recovery over a ten-year period of costs charged annually to the Conservation and Demand Management (CDM) Cost Deferral Account.

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.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

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

INDUSTRIAL – NON-FIRM

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate

Non-Firm Energy Charge (¢ per kWh)

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2016 (3.34%).

The energy sources and associated conversion factors are:

- 1) Holyrood, using No. 6 fuel with a conversion factor of 583 kWh/bbl
- 2) Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
- 3) Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl

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.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

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

INDUSTRIAL – WHEELING

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy and whose Industrial Service Agreement so provides.

Rate

Energy Charge

All kWh (net of losses)* @ 0.831¢ per kWh

*For the purpose of this Rate, losses shall be 3.34%, the average system losses on the Island Interconnected Grid for the last five years ending in 2016.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

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

Affidavit



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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”), pursuant to Subsection 70(1) of the Act, for the approval of a change in the Conservation and Demand Management (“CDM”) Cost Recovery Adjustment to be charged to Island Industrial Customers effective July 1, 2023.

AFFIDAVIT

I, Kevin Fagan, of St. John’s in the province of Newfoundland and Labrador, make oath and say as follows:

- 1) I am Vice President, Regulatory and Stakeholder Relations, Newfoundland and Labrador Hydro, the applicant named in the attached application.
- 2) I have read and understand the foregoing application.
- 3) To the best of my knowledge, information, and belief, all of the matters, facts, and things set out in this application are true.

SWORN at St. John’s in the)
province of Newfoundland and)
Labrador this 27th day of)
June 2023, before me:)


Commissioner for Oaths, Newfoundland and Labrador


Kevin Fagan

SAMANTHA KEATS
A Commissioner for Oaths in and for
the Province of Newfoundland and Labrador.
My commission expires on December 31, 2027