

# Office of the Consumer Advocate

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April 27, 2023

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: NLH Application for July 1, 2023 Utility Rate Adjustments**

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NLH-001 to CA-NLH-015.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,



**Dennis Browne, KC**  
**Consumer Advocate**

Encl.  
/bb

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

**IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to Subsection 70(1) and Section 71 of the *Act*, for the approval of:  
(i) an updated Rate Stabilization Plan (“RSP”) Current Plan Adjustment for Newfoundland Power Inc. (“Newfoundland Power”), (ii) an updated Conservation and Demand Management (“CDM”) Cost Recovery Adjustment for Newfoundland Power, and (iii) the Project Cost Recovery Rider for Newfoundland Power continued without change (“Utility Rate Adjustments”), all to be made effective July 1, 2023.

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**CONSUMER ADVOCATE  
REQUESTS FOR INFORMATION  
CA-NLH-001 to CA-NLH-015**

**Issued: April 27, 2023**

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- 1 CA-NLH-001 (Reference Application, paras. 4 and 17) It is stated (para. 4) “*In Order No. P.U. 33(2021), the Board approved, among other things, Hydro’s proposal to establish the Supply Cost Variance Deferral Account to defer payments under the Muskrat Falls Project (“Project”) agreements and to begin charging Island Interconnected System supply cost variances to the Supply Cost Variance Deferral Account as of the effective date of the account.*” In para. 17 it is stated “*In Order No. P.U. 19(2022), the Board approved Hydro’s proposal to commence recovery of Project costs and implement a Project Cost Recovery Rider effective July 1, 2022.*”
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10 a) Specifically, what is Hydro’s interpretation of the Board’s Orders with  
11 respect to cost recovery of amounts owing in the Supply Cost Variance  
12 Deferral Account?  
13 b) Is Hydro required to apply annually to the Board for recovery of project  
14 costs via the Project Cost Recovery Rider?  
15
- 16 CA-NLH-002 (Reference Application, para. 8) It is stated “*On March 30, 2023, Hydro received correspondence from the Minister of Industry, Energy and Technology providing a grant of \$190,404,321 for the purposes of rate mitigation. This grant has been credited to the Rate Mitigation Fund component of the Supply Cost Variance Deferral Account.*”
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20  
21 a) Please file a copy of the March 30, 2023 correspondence for the record.  
22 b) Has the Board approved a specific Rate Mitigation Fund component of  
23 the Supply Cost Variance Deferral Account? If so, please provide a copy  
24 of the Board’s Order.  
25 c) Did the Board order that the funds provided by government be applied  
26 to the Rate Mitigation Fund component of the Supply Cost Variance  
27 Deferral Account? If so, please provide a copy of the Board’s Order.  
28 d) How has Hydro allocated these funds to its various customer classes?  
29 e) How do these funds impact the rural rate subsidy?  
30
- 31 CA-NLH-003 (Reference Application, para. 8) It is stated “*On March 30, 2023, Hydro received correspondence from the Minister of Industry, Energy and Technology providing a grant of \$190,404,321 for the purposes of rate mitigation. This grant has been credited to the Rate Mitigation Fund component of the Supply Cost Variance Deferral Account.*”
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36 a) Please provide a table showing all components of the Supply Cost  
37 Variance Deferral Account including financing charges and actual  
38 amounts owing monthly and cumulatively since the effective date of the  
39 account through to the end of March 2023 (and April 2023 if actual data  
40 are available).  
41 b) Please provide a table showing all components of the Supply Cost  
42 Variance Deferral Account including financing charges and forecast  
43 amounts owing monthly and cumulatively for each month from April  
44 2023 through December 2025. Please include a list of assumptions in  
45 the forecast.

- 1 c) Please identify the projected rate impacts on NP's customers on July 1,  
2 2024 and July 1, 2025 owing to recovery of amounts in the Supply Cost  
3 Variance Deferral Account.
- 4 d) For the Island Industrial Customers, please provide the rate impact on  
5 January 1, 2023, and the projected rate impacts on January 1, 2024 and  
6 January 1, 2025 owing to recovery of amounts in the Supply Cost  
7 Variance Deferral Account.

8  
9 CA-NLH-004 (Reference Application, para. 8) Regarding the government grant of  
10 \$190,404,231 for rate mitigation:

- 11 a) Was Hydro aware that government would be making the grant to it when  
12 it applied to the Board for the 0.798 cents per kWh Project Cost  
13 Recovery Rider?  
14 b) When did Hydro become aware that the grant would be forthcoming?  
15 c) Other than being used for rate mitigation, has government imposed any  
16 other conditions or restrictions on how and when Hydro can use these  
17 funds? In particular, can funds from the grant be used to replace Project  
18 Cost Recovery Rider revenues if that rider were discontinued?

19  
20 CA-NLH-005 (Reference Application, para. 8) Regarding the \$190,404,301 grant from  
21 the provincial government to Hydro for rate mitigation:

- 22 a) How does that grant show up, if at all, in Hydro's income/earnings  
23 statement or balance sheet?  
24 b) Please provide Hydro's annual earnings for 2020, 2021 and 2022 in total  
25 and by business segment. If final figures are not yet available for 2022  
26 then please provide estimates.

27  
28 CA-NLH-006 (Reference Application para. 19) It is stated (para. 19) "*Based on*  
29 *discussions with Newfoundland Power, the preliminary estimate of the*  
30 *overall average customer rate impact resulting from Hydro's proposed rate*  
31 *adjustments and Newfoundland Power's projected rate adjustments is*  
32 *approximately 6.9% effective July 1, 2023. The projected customer rate*  
33 *impact for Newfoundland Power's 2.4 General Service Rate would exceed*  
34 *9%, excluding any increase of the Project Cost Recovery Rider."* What  
35 would be the rate impacts on July 1, 2023 if the full amount owing in the  
36 Supply Cost Variance Deferral Account was recovered via a change in the  
37 Project Cost Recovery Rider?

38  
39 CA-NLH-007 (Reference Application para. 20) It is stated "*On April 14, 2023, Hydro*  
40 *received a letter from the Minister of Industry, Energy and Technology*  
41 *requesting Hydro to propose no increase in the amount of Project costs to*  
42 *be recovered from customers in its rates, to become effective July 1, 2023."*

- 43 a) What impact is non-recovery of amounts owing to project costs likely  
44 to have on Hydro's financial position?

- 1 b) What impacts is non-recovery of amounts owing to project costs likely  
 2 to have on customers; e.g., rate impacts?  
 3 c) Has the government been made aware of these impacts? Has the  
 4 government agreed to cover the cost of any financial impacts resulting  
 5 from its request?  
 6 d) Does the letter from the Minister prohibit Hydro from reducing the  
 7 amount of Muskrat Falls Project cost to be recovered from customers in  
 8 its rates to become effective July 1, 2023?  
 9

10 CA-NLH-008 (Reference Application, para. 21) Please state the rationale for Hydro's  
 11 choice of the specific amount of 0.798 cents per kWh as the Project Cost  
 12 Recovery Rider when it applied to the Board for its approval.  
 13

14 CA-NLH-009 (Reference Application, para. 21) What are Hydro's estimates of revenue  
 15 that will be raised by the Project Cost Recovery Rider for July 1, 2022 to  
 16 June 30, 2023 and for July 1, 2023 to June 30, 2024, assuming that it is kept  
 17 at the current rate of 0.798 cents per kWh? Also, please provide the  
 18 estimated revenue for July 1, 2023 to June 30, 2024 based a lower Project  
 19 Cost Recovery Rider of 0.299 cents per kWh.  
 20

21 CA-NLH-010 (Reference Application, para. 24) It is stated that "*Approval by the Board*  
 22 *of the proposed RSP Current Plan Adjustment for the Utility Rate, the*  
 23 *proposed CDM Cost Recovery Adjustment for the Utility Rate, and the*  
 24 *Project Cost Recovery Rider, continued without change, for the Utility Rate*  
 25 *all effective July 1, 2023, will provide a reasonable recovery of prudently*  
 26 *incurred costs that will contribute to rate stability for customers."*

- 27 a) Please provide Hydro's definition of "*prudently incurred costs.*"  
 28 b) The Project Cost Recovery Rider is for the Muskrat Falls Project. (i)  
 29 What evidence has Hydro provided to the Board that the costs of that  
 30 project were prudently incurred? (ii) What is Hydro's current estimate  
 31 of that project's final cost and the estimate in 2011?  
 32 c) Please confirm that the Muskrat Falls Project was neither approved by  
 33 the Board nor subject to Board oversight, and that the Muskrat Falls  
 34 Project does not fall in Hydro's regulated business segment.  
 35 d) Please explain how Hydro's proposal to increase wholesale rates by  
 36 5.5% is consistent with the objective of contributing to rate stability for  
 37 customers.  
 38

39 CA-NLH-011 (Reference Schedule 1, page 2) It is stated "*Government also indicated that*  
 40 *further LCP related rate increases will be more appropriately addressed*  
 41 *upon implementation of the rate mitigation plan."*

- 42 a) Is the Project Cost Recovery Rider an integral part of the rate mitigation  
 43 plan or is it ad hoc and temporary?

- 1 b) When will the rate mitigation plan be available?  
 2 c) When does Hydro expect to file its next GRA?  
 3 d) When does Hydro expect to gain approval of its next GRA?  
 4
- 5 CA-NLH-012 (Reference Application, Schedule 1, page 4) Please provide a revised Table  
 6 1 assuming that the proposed Project Cost Rider is 0.299 cents per kWh.  
 7
- 8 CA-NLH-013 (Reference Application) We understand the federal fuel charge will come  
 9 into effect as of July 1, 2023 in Newfoundland and Labrador.  
 10 a) How will that tax apply, if at all, to Hydro's purchases of heavy fuel oil  
 11 and diesel fuel used in the generation of electricity?  
 12 b) Is the effect of the federal fuel charge included in Hydro's proposed  
 13 5.5% increase in wholesale rates?  
 14 c) In general, are the cost impacts associated with carbon tax/credits  
 15 accounted for in the Supply Cost Variance Deferral Account?  
 16
- 17 CA-NLH-014 (Reference Application, Schedule 1, Table 1) It appears that all of Hydro's  
 18 proposed increase in the Utility Rate will be on a per-kilowatt-hour basis  
 19 and be equal to 0.499 cents per kilowatt hour.  
 20 a) Is the preceding statement correct?  
 21 b) If approved, would the proposed increased Utility Rate carry through to  
 22 end-customers' energy rates across customer classes or would basic  
 23 customer charges and demand charges also be affected?  
 24 c) Please provide a full explanation of the basic customer charge including  
 25 its purpose and the cost components that are recovered in the charge.  
 26
- 27 CA-NLH-015 The current basic customer charge is 15.83 and the energy charge is  
 28 12.346¢/kWh. Hydro has been quoted in the press as stating that the current  
 29 average residential cost (with an average monthly usage of 1235 kWh) is  
 30 approximately 13.4¢/kWh and, with the estimated average increase of  
 31 6.9%, Hydro stated the average cost is expected to increase to  
 32 approximately 14.3¢/kWh.  
 33 (a) Where does the figure of 13.4¢/kWh come from?  
 34 (b) Where does 14.3¢/kWh come from?  
 35 (c) Has Hydro merged the basic customer charge of 15.83 with the energy  
 36 charge in providing the 13.4¢/kWh and the 14.3¢/kWh as referenced  
 37 above?  
 38 (d) In its press information, Hydro makes reference to a figure of annual  
 39 monthly usage of 1235 kWh. On what is that average based? Does that  
 40 include all electric customers and those customers who are not all  
 41 electric?

**DATED** at St. John's, Newfoundland and Labrador, this 27<sup>th</sup> day of April, 2023.

Per:  \_\_\_\_\_

**Dennis Browne, KC, Consumer Advocate**

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