

WHENEVER. WHEREVER.
We'll be there.



October 11, 2024

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland and Labrador Hydro ("Hydro") – Application for Additions for Load Growth – Rigolet Unit 2065 Replacement and Fuel Storage Upgrades – Revision 1 - Newfoundland Power's Comments

On August 29, 2024, Hydro filed Revision 1 of its Application for Additions for Load Growth – Rigolet Unit 2065 Replacement and Fuel Storage Upgrades (the "Application")¹. The Application proposes capital expenditures of approximately \$3.4 million to replace a diesel genset along with existing horizontal fuel tanks at the Rigolet Diesel Generating Plant to support future load growth and maintain system reliability for the community. The Application is largely driven by a request for a new electrical service for a community building in Rigolet which will be equipped with electric heating.

The cost of providing electricity service to the isolated Labrador communities is significantly higher than the revenue received from those customers. The additional revenue to serve customers in the isolated Labrador communities is largely funded by Newfoundland Power's customers by means of Hydro's Rural Deficit.² As a result, load growth in Hydro's isolated systems typically results in higher customer rates for Newfoundland Power's customers.³

Hydro has outlined policies in place in other Canadian jurisdictions to manage the cost of providing electrical service in isolated communities.⁴ These include pricing and non-pricing policy directives. As examples, customers in isolated systems in Nunavut (Qulliq Energy Corporation) pay the full cost of service, which discourages electric space heating due to the high cost. The Government of Quebec does not permit customers located above the 53rd parallel to use electricity for space heating. Manitoba Hydro limits residential off-grid customers

¹ Hydro's original Application was filed with the Board on August 9, 2024.

² Customers in isolated Labrador communities pay approximately 24% of their cost of service. The remaining 76% of the cost to serve these customers is funded through Hydro's Rural Deficit. Newfoundland Power's customers pay approximately 96% of the Rural Deficit. See the response to Request for Information NP-NLH-081 filed in relation to Hydro's Application for Long-Term Supply for Southern Labrador, Revision 2, October 5, 2023.

³ On May 16, 2024, the Government of Newfoundland and Labrador announced the finalization of its Rate Mitigation Plan. It limits customer rate increases due to Hydro and the Muskrat Falls Project to 2.25% per year until 2030.

⁴ See the response to Request for Information PUB-NLH-019.

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5500 ext. 6200 • FAX (709) 737-2974 • dfoley@newfoundlandpower.com

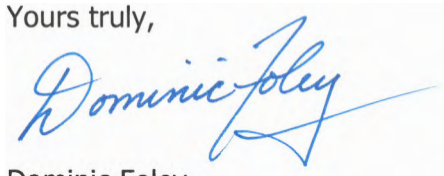
to a 60 amp service panel to limit customers' ability to install hardwired electric space heating. These policies promote efficient use of electricity and minimize the cost of providing electricity service.

Hydro states that it is in the process of refining existing and developing new Conservation and Demand Management ("CDM") programming to promote non-electric heating alternatives in its isolated systems, consistent with its Strategic Plan.⁵ This initiative will promote more efficient use of electricity in Hydro's isolated systems.

Newfoundland Power recognizes that Hydro has an obligation to provide reliable electricity service to customers in Rigolet and other isolated communities in accordance with its legislative requirements. The Company also recognizes that increased costs associated with serving Hydro's customers in isolated communities are typically borne by Newfoundland Power's customers. The Company submits that Hydro should continue to prioritize efforts to minimize costs on its isolated systems. This includes evaluating the appropriateness of policies used in other jurisdictions that minimize inefficient use of electricity and prioritizing its efforts to develop new CDM programming to promote non-electric heating alternatives in its isolated systems, consistent with its Strategic Plan. To ensure new electrical loads are planned in an efficient manner, Hydro should endeavour to identify new loads on the isolated systems as early as possible to ensure the cost to supply the load is minimized.

We trust this is in order. If you have any questions regarding the foregoing, please contact the undersigned.

Yours truly,



Dominic Foley
Legal Counsel

ec. Shirley Walsh
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

Dennis Browne, KC
Browne Fitzgerald Morgan & Avis

Senwung Luk
Olthuis Kleer Townshend LLP

⁵ See the response to Request for Information PUB-NLH-020.

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5500 ext. 6200 • FAX (709) 737-2974 • dfoley@newfoundlandpower.com