

Office of the Consumer Advocate

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October 12, 2017

Via Courier

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: Newfoundland and Labrador Hydro - 2018 Capital Budget Application

Further to the above-captioned, enclosed please find enclosed the original and twelve (12) copies of the Consumer Advocate Intervenor Submission.

A copy of this letter, together with enclosure, has been forwarded directly to the parties listed below.

Yours truly,



Dennis Browne, Q.C.

Encl.
/bb

cc **Newfoundland & Labrador Hydro**
Tracey Pennell (traceypennell@nlh.nl.ca)
Geoff Young (gyoung@nlh.nl.ca)
NLH Regulatory (NLHRegulatory@nlh.nl.ca)

Board of Commissioners of Public Utilities
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Gerard Hayes (ghayes@newfoundlandpower.com)

Industrial Customer Group
Paul Coxworthy (pcoxworthy@stewartmckelvey.com)
Dean Porter (dporter@poolealthouse.ca)

Praxair Canada Inc.
Sheryl Nisenbaum (sheryl_nisenbaum@praxair.com)

later than December 15 in each year for the next calendar year, and the budget shall include an estimate of contributions toward the cost of improvements or additions to its property the public utility intends to demand from its customers.

- (2) The budget shall contain an estimate of future required expenditures on improvements or additions to the property of the public utility that will not be completed in the next calendar year.

9. Section 3(b) of the *Electrical Power Control Act, 1994* SNL 1994, c. E-5.1 (the “EPCA”) states:

Power policy

3. It is declared to be the policy of the province that

...

- (b) all sources and facilities for the production, transmission and distribution of power in the province should be managed and operated in a manner

- (i) that would result in the most efficient production, transmission and distribution of power,

- (ii) that would result in consumers in the province having equitable access to an adequate supply of power,

- (iii) that would result in power being delivered to consumers in the province at the lowest possible cost consistent with reliable service,

...

and, where necessary, all power, sources and facilities of the province are to be assessed and allocated and re-allocated in the manner that is necessary to give effect to this policy;

CONCLUSION

10. Here, the Applicant is seeking approval of capital expenditures in the amount of \$206.2 million. Newfoundland Power has sought prior approval of a 2018 Capital Budget of \$83,876,000. These Capital Budget expenditures come at a time when rate pressure and

affordability are topical. Each and every expenditure requires rigorous examination by the Board staff and ultimately the Board.

11. As noted in the Submission on Newfoundland Power's 2018 Capital Budget Application, a quotation from the Consumer Advocate in Newfoundland Power's 2015 Capital Budget Application applies:

The Consumer Advocate has previously expressed concern over escalating amounts sought by utilities for capital projects, as the amounts spent on the same by each of the utilities need to be financed as either debt or equity. It is the consumer who ultimately will pay the interest on the debt and the return on equity as well as the costs of depreciation on the acquired assets. **In Board Order No. P.U. 26 (2011), the Board stated that it shared the Consumer Advocate's concern about the increasing levels of planned capital for both utilities in the province.**

(Emphasis added)

12. Finally, with a declining and aging population and with the introduction of the costs associated with Muskrat Falls, affordable electricity is the issue. Annual Capital Budget expenditures by both Newfoundland Power and NLH are at levels which are not sustainable. These Capital Budget expenditure applications are therefore outmoded. The rate base system does not fit into the Muskrat Falls equation. New systems have to be devised following hearings and public consultations. Legislative changes will be required. That will be our focus going forward to ensure affordable electricity.

DATED at St. John's, Newfoundland and Labrador, this 12th day of October, 2017.



Dennis Browne, Q.C.
Consumer Advocate

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