



NEWFOUNDLAND AND LABRADOR

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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2023-01-06

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 July 1, 2022 Utility Rate Adjustments as per Order No. P.U. 19(2022) - To NLH - Request to Provide Update

In Order No. P.U. 19(2022), the Board approved a Project Cost Recovery Rider effective July 1, 2022 to commence the recovery of the costs relating to the Muskrat Falls Project from Newfoundland Power Limited. In the Order, the Board stated the following:

“...the Board believes that, to enhance the transparency and predictability of rates, Hydro should provide information related to its plan for other rate changes in advance of its next general rate application associated with the recovery of Muskrat Falls Project costs, and the Board will, in separate correspondence, establish additional reporting requirements for Hydro...”

Based on the latest General Rate Application (“GRA”) Update provided to the Board on December 19, 2022, Hydro is not in a position to provide the Board with the timing of the filing of its next GRA application, and has noted that until the commissioning of the Labrador Island Link and the finalization of the mechanism by which rate mitigation will be provided to ratepayers including confirmation of the amount and timing of payments to Hydro, there is too much uncertainty to prepare an application for the next GRA. Furthermore, Hydro has noted that it will require 9 months after more certainty is obtained to prepare and file its next GRA application.

The Board notes that Hydro’s current base rates are set based on a 2019 test year. The Board further notes that, thirteen months after the implementation of the Supply Cost Variance Deferral Account, the account has accumulated \$193,970,642 as of November 30, 2022. The Board’s understanding is that the balance in this account will continue to increase until the conclusion of the GRA regulatory process and these costs, in addition to the costs that will be

included in a future test year revenue requirement, will have to be collected from rate payers on the Island interconnected system, offset by the rate mitigation to be provided by the provincial government.

As a result of this uncertainty for ratepayers, the Board is requesting that Hydro provide an update to the Board no later than January 31, 2023 with regards to any plans it may be contemplating for potential interim rate changes, including the Project Cost Recovery Rider, for 2023 for the Island Interconnected system.

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

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