

March 27, 2025

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: NLH Application for Approval of the Disposition of Balances within the Hydraulic Resources Optimization Deferral Account – NP Comments**

### **Background**

On March 3, 2025, Newfoundland and Labrador Hydro (“Hydro”) applied for the approval of the disposition of the \$5.7 million balance of the Hydraulic Resources Optimization Deferral Account (“Hydraulic Deferral Account”) as of December 31, 2023 to its Supply Cost Variance Deferral Account (“SCVDA”). Hydro estimates that of the \$5.7 million balance, \$5.3 million is owing to Newfoundland Power Inc.’s (“Newfoundland Power” or the “Company”) customers.<sup>1</sup>

Similarly, there is a \$22.6 million balance owing to Newfoundland Power’s customers currently held in Hydro’s Rural Rate Alteration deferral account (“RRA Deferral Account”) as of December 31, 2024.<sup>2</sup>

In total, there is a \$27.9 million credit balance owing to Newfoundland Power’s customers related to the Hydraulic and RRA Deferral Accounts, at the dates outlined above. The disposition of both of these credit balances are subject to the direction of the Board.

In its response to RFI NP-NLH-002, Hydro provides that given there are amounts owing from customers that are yet to be reflected in customer rates as well as with consideration of the Government of Newfoundland and Labrador’s (“Government”) rate mitigation plan, it believes it is not appropriate to transfer the Hydraulic Deferral Account credit to Newfoundland Power.<sup>3</sup>

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<sup>1</sup> See the response to Request for Information (“RFI”) NP-NLH-001 (1<sup>st</sup> Revision).

<sup>2</sup> See page 3 of Hydro’s SCVDA December 2024 Monthly Report filed with the Board of Commissioners of Public Utilities (the “Board”) on February 3, 2025. As provided in footnote 1 on page 3 of Hydro’s report, the disposition of the RRA Deferral Account balance is subject to an order of the Board.

<sup>3</sup> See the response to RFI NP-NLH-002, page 2, lines 7 to 10.

### **Newfoundland Power Inc.**

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

PHONE (709) 853-6251 • FAX (709) 737-2974 • [sdonovan@newfoundlandpower.com](mailto:sdonovan@newfoundlandpower.com)

With respect to RRA Deferral Account balance, the Board requested Hydro to provide what options were available for timely balance disposition to Newfoundland Power as part of the *Implementation of the Rate Mitigation Plan* process.<sup>4</sup> Hydro stated it could consider transferring the balance to Newfoundland Power, such as via a one-time bill credit for application against Newfoundland Power's Rate Stabilization Account ("RSA"). However, Hydro provided that there are factors that the Board would need to consider, including the Government's rate mitigation plan and the amount of current and future rate mitigation funding required, as well as intergenerational equity.<sup>5</sup>

### **Newfoundland Power's Comments**

There is currently a \$47.4 million deferred balance owing from Newfoundland Power's customers related to power supply costs paid by the Company to Hydro. This balance is in Newfoundland Power's RSA and is scheduled to begin recovery from customers on July 1, 2025. Of the \$47.4 million deferred balance, \$18.8 million relates to power supply costs paid to Hydro in 2023 that were deferred in accordance with Order No. P.U. 16 (2024) for future recovery from customers. The remaining \$28.6 million relates to power supply costs paid by the Company to Hydro in 2024 that is greater than the amount reflected in current customer rates.<sup>6</sup>

Newfoundland Power submits that it would be reasonable for the Board to consider directing Hydro to transfer the total \$27.9 million owing to the Company via a one-time bill credit against Newfoundland Power's RSA on June 30, 2025.<sup>7</sup> In Newfoundland Power's view, the Board's consideration of this approach is reasonable for the following reasons:

- The credit balance of \$27.9 million would partially offset the total balance owing from customers of \$47.4 million, providing for an appropriate matching of utility costs and revenues.
- The primary purpose of Newfoundland Power's RSA is to recover its power supply costs paid to Hydro in a timely manner. The credit transfer would provide for the recovery of the

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<sup>4</sup> See the Board's letter, *Re. Newfoundland and Labrador Hydro - Implementation of the Rate Mitigation Plan*, dated September 19, 2024.

<sup>5</sup> See Hydro's response to RFI PUB-NLH-001 filed as part of the *Implementation of the Rate Mitigation Plan* process on January 31, 2025.

<sup>6</sup> The \$28.6 million relates to the Energy Supply Cost Variance ("ESCV") transfer to the RSA on December 31, 2024. For details on the Company's ESCV account, see page 3 of *Newfoundland Power's Rate Stabilization Account Report* filed with Board on February 14, 2025 as part of the Company's *Quarterly Regulatory Report* for the period ended December 31, 2024.

<sup>7</sup> A credit on June 30, 2025 would allow for the process to occur in a timely manner, while also being considered in the Board's determination of July 1, 2025 customer rates.

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existing \$18.8 million deferral balance, addressing concerns of timely recovery associated with the Company's March 31, 2024 RSA balance.<sup>8</sup>

- There is regulatory precedent for the disposal of Hydro balances to customers via a one-time bill credit.<sup>9</sup> Further, Hydro has provided it could consider such an approach regarding the RRA Deferral Account balance owing to Newfoundland Power.<sup>10</sup>
- Both the Hydraulic and RRA Deferral Accounts are unique when compared to the supply cost mechanism included in Hydro's SCVDA, which has both costs and credit balances subject to future customer cost allocation determinations. The Hydraulic Deferral Account is not currently part of the SCVDA, with its disposition currently before the Board. The RRA Deferral Account is being maintained separately from the other supply cost mechanisms in Hydro's SCVDA as it is a distinct balance owing from Hydro to Newfoundland Power.<sup>11</sup>

Newfoundland Power appreciates that Hydro has to consider amounts owing from its customers as outlined in its response to RFI NP-NLH-002. However, the Company observes that the deferred balances provided by Hydro in that response are either (i) proposed to be recovered as part of Hydro's next general rate application ("GRA") or (ii) relate to non-power supply costs, with recovery as part of Hydro's next GRA. In contrast, the \$47.4 million deferred balance in Newfoundland Power's RSA is a current balance owing from customers related to power supply costs that is scheduled to begin recovery from customers on July 1, 2025.

Further, Newfoundland Power respects Hydro's obligations associated with the Government's rate mitigation plan. As provided by Hydro, it appears Hydro may be able to provide the credit balances owing to Newfoundland Power while maintaining its adherence to Order in Council OC2024-062.<sup>12</sup>

## Concluding

All stakeholders are cognizant of current customer rate pressures and have suggested customer rate smoothing measures.<sup>13</sup> More specifically, the Board has requested that, as part of its July 1, 2025 customer rates application, Newfoundland Power should address issues related to rate shock, rate

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<sup>8</sup> On page 5 of Order No. P.U. 16 (2024), the Board acknowledged Newfoundland Power's concerns with respect to the timely recovery of prudent costs. Further, on page 4 of the order, the Board agreed with the Company that the costs of supply should be recovered without any disallowance and that the recovery should be timely.

<sup>9</sup> See RFI NP-NLH-001 filed as part of the *Implementation of the Rate Mitigation Plan* process.

<sup>10</sup> See the response to RFI PUB-NLH-001 filed as part of the *Implementation of the Rate Mitigation Plan* process.

<sup>11</sup> See page 1 of Hydro's SCVDA December 2024 Monthly Report filed with the on February 3, 2025.

<sup>12</sup> See the responses to RFI NP-NLH-001 and PUB-NLH-001 filed as part of the *Implementation of the Rate Mitigation Plan* process.

<sup>13</sup> See Order No. P.U. 16 (2024), pages 3 and 4.

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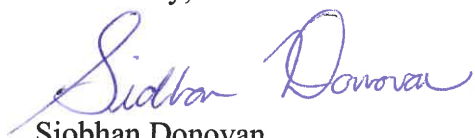
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stability and the timely recovery of prudent costs in the context of the information available at the time regarding the rate increases which are expected over the period 2025 to 2027.<sup>14</sup>

Where reasonable, reducing power supply costs owing from customers provides clear customer benefits when addressing issues related to customer rates and the timely recovery of power supply costs. For the reasons outlined above, Newfoundland Power submits that it is reasonable for the Board to consider directing Hydro to transfer the \$27.9 million credit balance associated with its Hydraulic and RRA Deferral Accounts owing to Newfoundland Power via a one-time bill credit against the Company's RSA on June 30, 2025.

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

Yours truly,



Siobhan Donovan  
Manager Regulatory Affairs

ec. Shirley A. Walsh  
Newfoundland and Labrador Hydro

Paul Coxworthy  
Stewart McKelvey

Sheryl Nisenbaum  
Linde Canada Inc.

Dennis Browne, KC  
Browne Fitzgerald Morgan & Avis

Senwung Luk  
Olthuis Kleer Townshend LLP

Shawn Kinsella  
Teck Resources Limited

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<sup>14</sup> See Order No. P.U. 16 (2024), page 6.