

Office of the Consumer Advocate

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Via Email

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

Attention: Jo Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power – Wholesale Rate Flow-Through Application
– Submission of the Consumer Advocate

On September 16, 2024 Newfoundland Power Inc. (“Newfoundland Power”) submitted to the Public Utilities Board (the “Board”) a Wholesale Rate Flow-Through Application (“Application”). The Application is in coordination with Newfoundland and Labrador Hydro’s (“NL Hydro’s”) September 16, 2024 Application for Adjustment to Wholesale Utility Rate, subsequently replaced by a revised version dated September 25, proposing to revise the wholesale rate charged to Newfoundland Power, effective January 1, 2025. The applications are consistent with the settlement agreement reached at the 2025/2026 GRA¹ and signed by Newfoundland Power, NL Hydro and the Consumer Advocate.

As stated in the cover letter to the Application, Newfoundland Power proposes to *(i) flow-through the impacts of the revised wholesale rate on its 2025 and 2026 test year revenue requirements currently before the Board in its 2025/2026 GRA; and (ii) rebase power supply costs into base rate test year revenue requirements. As outlined in the Framework, the overall average customer rate impact of the Application proposals is a customer rate increase of 4.3%, effective July 1, 2025.*” The cover letter goes on to say *“customer rate smoothing measures would defer the 4.3% customer rate impact associated with the Application proposals from July 1, 2025 to July, 1 2026.”* We understand from the Framework that the revised wholesale rate would lead to *“a rate decrease on July, 1, 2026 associated with the RSA (in the range of 4% to 5%).”* Thus, deferring the 4.3% increase until July 1, 2026 would lead to the two effects on rates offsetting one another, which achieves the rate smoothing.

Following a round of Requests for Information (RFIs), the Board has directed the parties to make written submissions on Newfoundland Power’s Application. This submission documents the Consumer Advocate’s position on Newfoundland Power’s Application.

¹ Newfoundland Power 2025–2026 General Rate Application; Information Item #2, sch. A.

COMMENTS AND RECOMMENDATIONS OF THE CONSUMER ADVOCATE

It is noted that Newfoundland Power's Application is made in direct response to Hydro's Application for Adjustment to Wholesale Utility Rate which would (Hydro's application, para. 8) "*allow for more timely updates to Newfoundland Power's wholesale rate to reflect changes in the basis of Hydro's marginal cost of energy.*" A significant modification would be a seasonal component in the Utility second-block rate that is reflective of variation in marginal cost during the year. Hydro also proposes to "*update the wholesale rate in advance of its next GRA filing, with a proposed effective date of January 1, 2025.*" The Consumer Advocate, in a separate submission, recommends that the Board approve the wholesale rate proposed by Hydro.


Consistent with supporting the Hydro application, the Consumer Advocate also recommends that the Board approve NP's flow-through application. Some comments related to the Application follow.

1. The benefits to customers will be limited to a reduction in the volatility in the July 1 rate adjustments. Less volatility is welcome but it does not mean that the cost of electricity borne by customers will change; only the timing changes.
2. In principle, the change in the wholesale Utility rate to better reflect marginal cost is consistent with the goal of improving efficiency but Newfoundland Power has indicated (CA-NP-005) "*The revision of the wholesale rate will not impact Newfoundland Power's energy purchases, how the Company manages its hydro plants, or its behaviour in any way.*" With no change in Newfoundland Power's behaviour stemming from the wholesale price paid by it, there will be no change in efficiency.
3. Significant efficiency gains would likely be realized if the change in the Utility rate were mirrored in the retail rates charged by Newfoundland Power. However, three years after agreeing to conduct a rate design review and load research study as part of the settlement agreement on its 2022-2023 GRA, Newfoundland Power has yet to propose changes to retail rates to reflect marginal costs and improve allocative efficiency. Yet there is no compelling reason why Newfoundland Power cannot adjust retail rates (particularly, General Service rates, which already have two-block energy charges and seasonality features) to reflect Newfoundland Power's new marginal-cost based utility rate. It is not necessary to complete the rate design review to do so; although the review could lead to future refinements. Neither does Newfoundland Power have a plan to study smart meters which, in addition to several customer benefits, would enable implementation of marginal-cost based time-varying rates. Thus, the Board should direct Newfoundland Power
 - to alter current retail rates, where feasible, to better reflect marginal costs as embodied in the new Utility rate if approved by the Board;
 - to undertake a study on smart meters that assesses their costs and benefits so the Board and the parties are in a position to decide if smart meters are of greater net benefit compared to continuing with the "New Meters" and "Replacement Meters" capital programs. The study should be completed and filed with the Board by year-end 2024.
 - the failure of this province's utilities to follow the lead of virtually every other jurisdiction in the country in implementing smart meter plans continues to be a concern for ratepayers.

Smart meters will be beneficial to consumers now, as rates continue to escalate in the post-Muskrat Falls era.

Please contact the undersigned if you have any questions on this submission.

Yours truly,


Dennis Browne, KC
Consumer Advocate

Encl.

/bb

cc **Newfoundland Power Inc.**
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