

October 30, 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: Wholesale Rate Flow-Through Application – Newfoundland Power's Reply**

### **The Application**

On June 12, 2024, a settlement agreement regarding revising the wholesale rate, effective January 1, 2025, was reached between Newfoundland Power (the "Company"), Newfoundland and Labrador Hydro ("Hydro"), and the Consumer Advocate as described in the framework attached to the agreement (the "Wholesale Rate Settlement Agreement" and the "Framework"). On September 16, 2024, Hydro and the Company each filed an application with the Board of Commissioners of Public Utilities (the "Board") to give effect to a new wholesale rate on January 1, 2025. Newfoundland Power supports the approval of Hydro's application.<sup>1</sup>

All proposals included in the Company's application (the "Application") are consistent with the Wholesale Rate Settlement Agreement and the associated Framework. As detailed in the Wholesale Rate Flow-Through Report filed with the Application (the "Report"), the primary customer benefits associated with the implementation of a new wholesale rate are lower power supply costs charged by Hydro to the Company and customer rate stability.<sup>2</sup>

On October 23, 2024, Hydro indicated it had no comments on the Application. On October 25, 2024, the Consumer Advocate recommended that the Board approve the Application.<sup>3</sup>

For these reasons, the Company requests that the Board approve the Application as filed.

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<sup>1</sup> Newfoundland Power's letter *Re: NLH Application for Adjustment to Wholesale Utility Rate - Newfoundland Power's Comments*, dated October 24, 2024.

<sup>2</sup> Report, pages 4 and 5.

<sup>3</sup> Consumer Advocate letter *Re: Newfoundland Power - Wholesale Rate Flow-Through Application - Submission of the Consumer Advocate*, dated October 25, 2024 (the "Consumer Advocate Submission"), page 4.

## **Regulatory Process Considerations**

The Application proposes to revise the 2025 and 2026 test year revenue requirements currently before the Board in Newfoundland Power's *2025/2026 General Rate Application* ("2025/2026 GRA") for the implementation of the revised wholesale rate and the rebasing of power supply costs, effective January 1, 2025.<sup>4</sup> As such, Board orders on the Application and the Company's 2025/2026 GRA will both impact base customer rates to be effective July 1, 2025.

As detailed in the Report, receiving the Board's orders on the Application and the 2025/2026 GRA by December 31, 2024 would allow matters impacting July 1, 2025 base rates to be addressed in an orderly fashion through a combined compliance application (the "Compliance Application") and without the need for further regulatory mechanisms.<sup>5</sup> Final customer rates incorporating the approved base rates from the Compliance Application, along with customer rate smoothing, could then be approved by the Board as part of the annual July 1<sup>st</sup> customer rate process for 2025.<sup>6</sup>

## **The Consumer Advocate's Comments**

The Consumer Advocate provided three comments associated with the Application. While the Consumer Advocate's comments do not impact the Board's consideration of the Application proposals, each requires correction with evidence on the record of this and/or other Company proceedings.<sup>7</sup>

### *Reply to Comment # 1*

The revised wholesale rate will provide for lower supply costs for customers. As explained in the Report, the revised wholesale rate reduces the incremental energy rate charged by Hydro to Newfoundland Power from the current rate of 18.165¢ per kWh to 9.698¢ per kWh and 3.354¢ per kWh in the winter and non-winter periods, respectively. As a result, the new wholesale rate provides lower power supply costs for customers as compared to the current rate through lower incremental energy costs.<sup>8</sup>

### *Reply to Comment # 2*

As explained in the response to Request for Information CA-NP-005, Newfoundland Power already considers current marginal costs in its investment decisions, such as those related to

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<sup>4</sup> Application, paragraph 10.

<sup>5</sup> Report, pages 8 and 9 and the response to Request for Information PUB-NP-002.

<sup>6</sup> Consistent with the customer rate smoothing approach used for July 1, 2024 customer rate change, the deferral of the 4.3% customer rate impact on July 1, 2025 associated with the Application proposals would be achieved through limiting the recovery of Newfoundland Power's Rate Stabilization Account at March 31, 2025. For further information, see section 3.4 *Customer Rates* in the Report.

<sup>7</sup> Please refer to page 2 of the Consumer Advocate Submission for its numbered comments on the Application.

<sup>8</sup> For further details, see the Report, page 4.

conservation, energy and demand management programs and capital projects associated with the Company's hydro plants as opposed to using the energy and demand rates in the current wholesale rate. Accordingly, the revised wholesale rate will better align the wholesale rate with Newfoundland Power's investment analyses that already incorporate marginal costs.

*Reply to Comment # 3*

The Consumer Advocate's recommendation to revise customer rates to better reflect marginal costs was addressed in the Company's 2025/2026 GRA, as well as in this proceeding.<sup>9</sup>

As previously explained by Newfoundland Power, revising customer rates as recommended by the Consumer Advocate is not appropriate at this time. The recommendation is not supported by a comprehensive review, including what impact the rate design review could have on customers and system costs.<sup>10</sup> The Company is currently undertaking such a review (the "Retail Rate Design Review"), in which the Consumer Advocate is involved. Any changes in customer rate design will be based on the Retail Rate Design Review which would include a fulsome analysis of the customer benefits and risks of the change.

The Consumer Advocate also does not acknowledge that current retail rates on the Island Interconnected System are more closely aligned with Hydro's marginal energy costs and proposed wholesale rate structure than they have been in the past. For example, General Service customer rates on the Island Interconnected System currently include a declining energy rate structure. This is more consistent with Hydro's proposed change in its wholesale rate, which reflects the market value of export sales as opposed to the current inclining energy rate structure in all months of the year that reflects the high cost of fuel at the Holyrood Thermal Generating Station. This information was provided in the response to Request for Information CA-NP-005.

Finally, the Consumer Advocate's comments regarding the implementation of Advanced Metering Infrastructure ("AMI") technology have also been addressed in a number of proceedings – most recently in Newfoundland Power's reply to the Consumer Advocate's request for an oral hearing on the Company's *2025 Capital Budget Application*.<sup>11</sup> In summary, the implementation of AMI technology is not least cost for customers at this time. Ongoing

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<sup>9</sup> See Newfoundland Power *2025/2026 GRA: Final Submissions*, August 8, 2024, pages 98 and 99, the Company's *2025/2026 GRA: Rebuttal Evidence*, May 28, 2024, pages 18 to 21, and the responses to Requests for Information CA-NP-002, CA-NP-004, and CA-NP-005.

<sup>10</sup> For example, as outlined in the response to Request for Information CA-NP-005, customer rate designs include consideration of a number of factors in addition to economic efficiency. These include revenue sufficiency, fairness, rate simplicity, stability, predictability, and understandability. These factors are commonly referred to as Bonbright Principles.

<sup>11</sup> See Newfoundland Power's letter *Re: Newfoundland Power's 2025 Capital Budget Application – Consumer Advocate's Request for Oral Hearing – Newfoundland Power's Reply*, dated October 29, 2024, pages 8 and 9. See also Newfoundland Power *2025/2026 GRA: Final Submissions*, August 8, 2024, pages 99 and 100.

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studies currently being conducted by Newfoundland Power, such as rate design, load research, and the potential study will help inform a business case for AMI technology.

Please contact the undersigned with any questions.

Yours truly,



Dominic Foley  
Legal Counsel

Enclosures

cc. Shirley Walsh  
Newfoundland and Labrador Hydro

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