



Hydro Place, 500 Columbus Drive.
P.O. Box 12400, St. John's, NL
Canada A1B 4K7
t. 709.737.1400 f. 709.737.1800
www.nlh.nl.ca

May 9, 2017

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

Attention: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: NLH Amended General Rate Application - Compliance Application - Order No. P.U. 49(2016) RSP – Fuel Price Projection Update – Rate Mitigation – Additional Reply

In Order No. P.U.14(2017), the Board of Commissioners of Public Utilities (the Board) expressed concern in relation to the proposed rate increases for customers arising from Order No.49(2016) and the operation of the Rate Stabilization Plan (RSP) for Newfoundland Power for July 1, 2017. While the Board acknowledged that the anticipated rate increase is largely the result of the normal operation of the RSP, the Board directed Hydro to provide options to mitigate the rate increases.

Hydro provided four rate mitigation options to the Board on May 3, 2017 (revised May 5, 2017) and a fifth rate mitigation option on May 5, 2017. On May 8, 2017, both Newfoundland Power and the Island Industrial Customers commented on Hydro's correspondence of May 5, 2017.

Newfoundland Power submitted that its proposal of April 25, 2017 and May 5, 2017, that the Board direct Hydro to apply the outstanding Load Variation Balance to the July 1, 2017 rate change, is the best alternative to mitigate rates. The Island Industrial Customers indicated that they do not object to the Hydro's proposed Option 5, provided that Option 5 does not settle or pre-decide any issues in relation to Hydro's proposal for using the RSP hydraulic balance for the recovery of revenue deficiencies and other deferral account balances.

Hydro recognizes that the proposed rate increases for July 1, 2017 are material. However, as noted in Hydro correspondence of April 26, 2017, retail customers received material rate decreases in both 2015 and 2016 due to annual RSP rate adjustments. The implementation of a rate mitigation measure will result in customers paying rates that recover less than the forecast cost of service for the period July 2017 to June 2018. Hydro is concerned that rate mitigation efforts on July 1, 2017 which will effectively price electricity below the forecast

cost to serve will defer rate increases into the future, when rate increases for other reasons are expected.

While Hydro understands the Board's efforts to mitigate the material rate increases projected for July 1, 2017, Hydro is concerned that the options being considered to mitigate rate increases at this time to avoid "rate shock" could result in a more significant rate increase in the near future when other rate increases are required.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Tracey L. Pennell

Senior Counsel, Regulatory

TLP/bs

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. - Cox & Palmer
Genevieve M. Dawson – Benson Buffett
ecc: Larry Bartlett – larry.bartlett@teck .com

Dennis Browne, Q.C. - Consumer Advocate
Yvonne Jones, MP Labrador
Senwung Luk – Olthuis, Kleer, Townshend LLP