

DELIVERED BY HAND

May 8, 2017

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

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies and Gentlemen:

**Re: Newfoundland and Labrador Hydro – Amended 2013 General Rate Application – Compliance Application – Order No P.U. 49 (2016) – Direction Regarding July 1, 2017 Rate Implementation – Hydro’s May 5, 2017 Filing**

**A. Background**

On May 3, 2017, Newfoundland and Labrador Hydro (“Hydro”) filed a letter containing 4 options related to the July 1, 2017 rate change. Due to the compressed schedule, the Board requested comments on Hydro’s letter by May 5, 2017. Both Newfoundland Power and the Consumer Advocate filed comments on May 5, 2017.

Following the filing of Newfoundland Power’s and the Consumer Advocate’s comments on May 5, 2017, Hydro filed a further letter containing an additional option related to the July 1, 2017 rate change. The Board allowed parties to make further comments by May 8, 2017.

This letter provides Newfoundland Power’s comments on Hydro’s letter of May 5, 2017.

**B. General**

***Hydro’s Additional Option***

The additional option outlined in Hydro’s letter of May 5, 2017 is “...to consider eliminating the fuel rider on July 1, 2017 and allow Newfoundland Power’s Current Plan to operate normally.” Hydro appears to suggest this option is justified by “...the Island Industrial Customer’s inability to comment on the previously proposed options...”.

Newfoundland Power Inc.

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Hydro's letter of May 5, 2017 indicates, that if its additional option is approved by the Board, it will result in an '*...11.0% increase to end customers...*'.

Hydro's letter of May 5, 2017 does not provide any explanation of why the Island Industrial Customers' inability to comment on Hydro's letter of May 3, 2017 justifies eliminating the fuel rider of the RSP for Newfoundland Power. Similarly, Hydro's letter of May 5, 2017 does not provide any indication of the possible longer term consequences to Newfoundland Power's customers of eliminating the fuel rider as proposed.

### ***Rate Stabilization Plan***

Hydro's RSP is a complex regulatory mechanism that has been in operation for over 3 decades.<sup>1</sup>

The complexities of the operation of Hydro's RSP practically require that the potential impact of any changes be fully considered prior to implementation. This is due to the significant potential consequences for customers' rates. The accumulation of very large balances in Hydro's RSP which were funded by customer rates since 2007 is a recent indication of the potential magnitude of these consequences.

### **C. Newfoundland Power's Comments**

To practically address the potentially large customer rate increases forecast by Hydro for July 1, 2017 requires timely action by the Board. The additional option presented in Hydro's letter of May 5, 2017 is not, in Newfoundland Power's view, consistent with such timely action.

The reasoning by which Hydro's Industrial Customer' inability to comment on Hydro's proposals justifies the Board's interference with operation of the RSP for Newfoundland Power is not explained. The consequences for Newfoundland Power's customers of such interference beyond July 1, 2017 is also not addressed. Given the compressed timeframes which exist for the implementation of July 1, 2017 customer rates, the time necessary to assess these aspects of Hydro's additional option justifies the Board's rejection of it.

In its letters of April 25 and May 5, 2017, Newfoundland Power proposed that the Board direct Hydro to apply the outstanding Load Variation Balance to the July 1, 2017 rate change. The Load Variation Balance has already been segregated from ordinary RSP operation. Given this, using the Load Variation Balance to reduce the July 1, 2017 rate increase will not have unforeseeable consequences for future customer rates.

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<sup>1</sup> A good summary of the first 24 years of RSP history can be found in *Board of Commissioners of Public Utilities – Historical Review of the Rate Stabilization Plan of Newfoundland and Labrador Hydro, January 1, 1986 – December 31, 2009*, Grant Thornton LLP.


The Consumer Advocate has indicated support for Newfoundland Power's proposal. In the circumstances, the Board should direct Hydro to implement the Newfoundland Power proposal.

**D. Concluding**

We trust the foregoing is helpful to the Board.

If you have any questions regarding the enclosed, please contact the Company at your convenience.

Yours very truly,



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Vice President,  
Regulation & Planning

c. Tracey Pennell  
Newfoundland and Labrador Hydro

Paul Coxworthy  
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