

Board of Commissioners of Public Utilities

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BACKGROUND

2003 General Rate Application of Newfoundland and Labrador Hydro

The Company

Newfoundland and Labrador Hydro (Hydro) is a crown corporation principally responsible for electricity generation and transmission throughout the Province, with a relatively small share of distribution. Hydro operates two major electrical systems in the Province. The Island Interconnected System serves most of the Island portion of the Province, with primary generation from Hydro's various hydroelectric developments and its Holyrood Thermal Plant. In addition, Hydro purchases proportionally smaller quantities of power from several external sources on the Island. The Labrador Interconnected System serves Labrador West and the Happy Valley-Goose Bay area and is supplied from Churchill Falls. The remote and isolated areas of the Province are serviced primarily through self-contained diesel generation plants owned and operated by Hydro. Secondary energy for the L'Anse au Loup System is purchased, when available, from Hydro Quebec's Lac Robertson hydro plant. Hydro's largest customer is Newfoundland Power Inc., which purchases 90% of its energy requirements from Hydro for distribution on the Island to approximately 220,000 residential and general service customers. Hydro provides electrical service to the remaining 35,000 customers in the province, located primarily on the Great Northern Peninsula, the south coast of the Island, and in Labrador. Hydro also has several large Industrial Customers on the Island and in Labrador.

The Board

The Board of Commissioners of Public Utilities is an independent, quasi-judicial body established under provincial legislation and regulates public utilities operating in Newfoundland and Labrador, which include Hydro and Newfoundland Power. The Board's mandate includes ensuring that consumers receive safe and reliable electricity at rates that are reasonable while allowing the utility to earn a fair return on its investment in supplying the electrical service. The Board strives to strike an equitable balance between the interests of consumers and the utility.

Board Commissioners conducting the hearing were:

Robert Noseworthy, (Chair and Chief Executive Officer);
Darlene Whalen, P. Eng., (Vice-Chair); and
Fred G. Saunders, Commissioner.

The Process

The Application was filed with the Board on May 21, 2003, amended on August 12, 2003 and updated on October 31, 2003. The registered parties to the Application were:

- 1) Newfoundland and Labrador Hydro, represented by Ms. Maureen Greene, Q.C.
- 2) Newfoundland Power Inc., represented by Mr. Ian Kelly, Q.C. and Mr. Brock Myles.
- 3) The Consumer Advocate, Mr. Dennis Browne, Q.C., represented by Mr. Stephen Fitzgerald.
- 4) NLH's Industrial Customers, namely Corner Brook Pulp and Paper Limited, Abitibi Consolidated Company of Canada – Stephenville and Grand Falls Divisions, North Atlantic Refining Limited and Voisey's Bay Nickel Company Limited; represented by Mr. Joseph Hutchings, Q.C. and Mr. Colm Seviour.
- 5) The Towns of Labrador City and Wabush, represented by Mr. Edward Hearn, Q.C.

In advance of the hearing, the process provided for parties to file evidence, including expert witness testimony, and request information from one another in the form of responses to questions. The hearing began on October 6, 2003 in the Board's Hearings Room in St. John's and continued over a 10-week period for 35 hearing days. Final oral arguments were presented on January 16, 2004. The Board afforded the opportunity for public participation and a number of interested persons and organizations made oral presentations before the Board at hearing days held for this purpose in Stephenville, Corner Brook, Labrador City, Happy Valley-Goose Bay and St. John's. Other persons and organizations submitted Letters of Comment. All documentation and testimony, including that of experts and other witnesses, as well as public presentations, comprise evidence which was considered by the Board in its decision-making process.

Regulation of Hydro

Hydro's last general rate review in 2001, its first as a fully regulated utility, resulted in rates being set as of September 2002. Hydro's rates subsequently changed due to oil price and municipal tax adjustments, as well as due to changes in Newfoundland Power's rates, which serve as the basis for rates to Hydro's rural customers on the Island Interconnected and Isolated Systems.

Order No. P.U. 14(2004) is a comprehensive Order requiring Hydro to make changes to some of its proposals and file a revised Schedule of Rates, Rules and Regulations. Once this Schedule is filed, which is expected to take four to six weeks, it will be reviewed by the Board to ensure compliance with the Board's Order and specific customer rates will be approved at that time. Until this revision is completed it is not possible for the Board to determine specific customer rate impacts.

Once approved, the revised Schedule of Rates will set electricity rates for Hydro's utility customer Newfoundland Power, Hydro's Industrial Customers, and for Hydro's customers on the Labrador Interconnected System. It is expected that Newfoundland Power will apply to the Board for a flow-through change in rates for its customers to reflect the new rates from Hydro. Rates for Hydro's rural customers on the Island Interconnected and Isolated Systems will then be set according to Newfoundland Power's rates. New rates for all electrical customers in the Province are anticipated to be in place as of July 1, 2004.