

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 5(2022)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 “*EPCA*”) and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the “*Act*”), as amended, and regulations
5 thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval of
9 Island Industrial Customer rates to reflect revisions
10 with respect to the Island Industrial Customer Rate
11 Stabilization Plan Adjustments.
12

13
14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
15 existing under the Hydro Corporation Act, 2007, is a public utility within the meaning of the *Act*,
16 and is also subject to the provisions of the *EPCA*; and
17

18 **WHEREAS** Hydro’s Island Industrial Customer rates are adjusted on January 1 each year to
19 update the Rate Stabilization Plan (“RSP”) Adjustments pursuant to the RSP rules which are in
20 place for Hydro at the time; and
21

22 **WHEREAS** in Order No. P.U. 2(2022) issued on January 21, 2022 the Board approved Hydro’s
23 application to delay the January 1, 2022 RSP Adjustments for the Island Industrial Customers and
24 to continue the existing rates until a further order of the Board; and
25

26 **WHEREAS** on February 4, 2022 Hydro filed an application (the “Application”) for approval of
27 revised Island Industrial Customer RSP Adjustments and rates, and specifically requested approval
28 of:

- 29 i) the cessation of supply cost variance activity in the RSP after October 31, 2021, other
30 than the accrual of finance charges, recording RSP rate adjustment activity in the Current
31 Plan balances and the allocation of the Hydraulic Production Variation component of the
32 RSP;
- 33 ii) the allocation of the December 31, 2021 balance in RSP Hydraulic Production Variation
34 component to be recovered in 2022 based on 12 months to-date kWh as of October 31,
35 2021;
- 36 iii) a revised Island Industrial Customer RSP Fuel Rider of (0.00) cents per kWh effective
37 February 1, 2022;
- 38 iv) a revised Island Industrial Customer RSP Current Plan Adjustment of 1.060 cents per
39 kWh to become effective February 1, 2022; and

- 1 v) an Island Industrial Customer RSP Current Plan Mitigation Adjustment of (0.675) cents
2 per kWh to become effective February 1, 2022; and
3

4 **WHEREAS** in Order No. P.U. 4(2022) issued on February 21, 2022 the Board approved, among
5 other things, the RSP Rules for Balance Disposition account which incorporated three of the
6 changes with respect to the RSP which were proposed in the Application as follows:

- 7 i) the cessation of supply cost variance activity in the RSP after October 31, 2021;
8 ii) the allocation of the December 31, 2021 balance in RSP Hydraulic Production Variation
9 component to be recovered in 2022 based on 12 months to-date kWh as of October 31,
10 2021; and
11 iii) the elimination of the RSP Fuel Rider; and
12

13 **WHEREAS** the Application stated that, as a result of the discontinuance of the RSP Fuel
14 Rider, the current credit of (0.823) cents/kWh would be discontinued which is projected to result
15 in an average bill increase for Island Industrial Customers in 2022 of 13.3%; and
16

17 **WHEREAS** the Application stated that the Island Industrial Customer RSP Current Plan balance
18 as of December 31, 2021 was a debit balance owing from customers of approximately \$4.3 million
19 which would result in an RSP Current Plan Adjustment of 1.060 cents/kWh and a projected
20 average billing increase for Island Industrial Customers in 2022 of 10.3%; and
21

22 **WHEREAS** the Application stated that the forecast average billing increase for Island Industrial
23 Customers of 23.6% in 2022 would be considered “rate shock” and would not be consistent with
24 the principle of customer rate stability or the intended purpose of the RSP; and
25

26 **WHEREAS** the Application set out that the forecast average billing increase in 2022 of 23.6% for
27 Island Industrial Customers is expected to be followed by a forecast average billing decrease in
28 2023 of 6.6% and that this does not strike the appropriate balance between cost recovery and rate
29 stability for these customers; and
30

31 **WHEREAS** the Application proposed to implement an Island Industrial Customer RSP Current
32 Plan Mitigation Adjustment in 2022 to provide for the recovery of the year-end balance in the
33 Island Industrial Customer RSP Current Plan over two years, 2022 and 2023, with the objective of
34 achieving equal rate impacts each year; and
35

36 **WHEREAS** the Application stated that the proposed RSP Current Plan Mitigation Adjustment for
37 2022 of (0.675) cents/kWh would result in an estimated billing increase for Island Industrial
38 Customers of approximately 12.7% for 2022 and an estimated billing increase for Island Industrial
39 Customers for 2023 of approximately 12.6%; and
40

41 **WHEREAS** the Application stated that the proposed approach would contribute to rate stability,
42 avoid rate shock, and reasonably balance intergenerational equity among Island Industrial
43 Customers through a reasonable recovery period of the RSP Current Plan balance; and
44

45 **WHEREAS** the Application was copied to: Newfoundland Power Inc. (“Newfoundland Power”);
46 the Consumer Advocate, Dennis Browne, Q.C.; a group of Island Industrial Customers: Corner
47 Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc. (formerly known

1 as NARL Refining Limited Partnership) and Vale Newfoundland and Labrador Limited (the
2 “Island Industrial Customer Group”); Praxair Canada Inc.; and Teck Resources Limited; and

3
4 **WHEREAS** on February 16, 2022, the Island Industrial Customer Group advised that they support
5 the Application; and

6
7 **WHEREAS** on February 18, 2022 Newfoundland Power stated that it had no objection to the
8 Application provided that Island Industrial Customer costs are not borne by Newfoundland Power
9 customers and also stated that it may be appropriate for the RSP Current Plan Mitigation
10 Adjustment to have an end date of December 31, 2022 so that recovery of historical supply costs
11 may occur without delay or further application to the Board; and

12
13 **WHEREAS** on February 19, 2022 Hydro filed a reply submission confirming that the application
14 proposals would have no impact on Newfoundland Power or its discrete RSP balances and noting
15 that the RSP Current Plan Mitigation Adjustment will be addressed in the application for January
16 1, 2023 Island Industrial Customer RSP Adjustments which is required pursuant to the RSP rules;
17 and

18
19 **WHEREAS** the Board did not receive any other comments on the Application; and

20
21 **WHEREAS** the Board is satisfied that the proposed Island Industrial Customer RSP Current Plan
22 Adjustment for 2022 of 1.060 cents/kWh provides for the recovery of costs in accordance with the
23 RSP Rules for Balance Disposition and should be approved; and

24
25 **WHEREAS** the Board is satisfied that the proposed recovery of the Island Industrial Customer
26 RSP Current Plan balance as of December 31, 2021 over a two-year period would contribute to
27 rate stability, intergenerational equity and fairness for the Island Industrial Customers and that the
28 proposed RSP Current Plan Mitigation Adjustment for 2022 of (0.675) cents per kWh should be
29 approved without an end date since the RSP Rules for Balance Disposition require that Hydro file
30 an application for January 1, 2023 Island Industrial Customer rates.

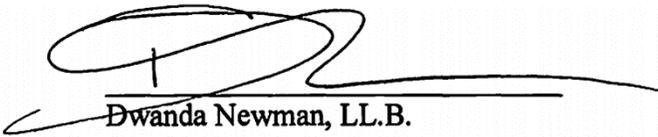
IT IS THEREFORE ORDERED THAT:

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2
3 1. The Island Industrial Customer RSP Current Plan Adjustment of 1.060 cents per kWh is
4 approved.
5
6 2. The Island Industrial Customer RSP Current Plan Mitigation Adjustment of (0.675) cents per
7 kWh is approved.
8
9 3. The Island Industrial Customer rates to be effective on all electrical consumption on and after
10 February 1, 2022, as set out in Schedule A to this Order, are approved.
11
12 4. Hydro shall pay all expenses of the Board arising from the Application.

DATED at St. John's, Newfoundland and Labrador, this 24th day of February, 2022.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



Dwanda Newman, LL.B.
Vice-Chair



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Cheryl Blundon
Board Secretary

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Base Rate*

Demand Charge

The rate for Firm Power, as defined and set out in the Industrial Service Agreements, shall be \$10.73 per kilowatt (kW) per month of billing demand.

Firm Energy Charge

Base Rate..... @ 4.428 ¢ per kWh

RSP Adjustment

RSP Adjustment

Current Plan @ 1.060 ¢ per kWh

Current Plan Mitigation Adjustment..... @ (0.675) ¢ per kWh

Current Plan Total..... @ 0.385 ¢ per kWh

Total RSP Adjustment – All kilowatt-hours..... @ 0.385 ¢ per kWh

CDM Cost Recovery Adjustment.....@ 0.013 ¢ per kWh

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – FIRM

Specifically Assigned Charges

The table below contains the additional annual specifically assigned charges for customer plant in service that is specifically assigned to the Customer.

	Annual Amount
Corner Brook Pulp and Paper Limited	\$13,311
North Atlantic Refining Limited	\$107,678
Teck Resources Limited	\$51,789
Vale	\$145,352

***Subject to RSP Adjustments and CDM Cost Recovery Adjustment**

RSP Adjustments refers to all applicable adjustments arising from the operation of Hydro's Rate Stabilization Plan, which levelizes variations in hydraulic production, fuel cost, load and rural rates.

The CDM Cost Recovery Adjustment is updated annually to provide recovery over a seven year period of costs charged annually to the Conservation and Demand Management (CDM) Cost Deferral Account.

Adjustment for Losses

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – Non-Firm

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy.

Rate

Non-Firm Energy Charge (¢ per kWh)

Non-Firm Energy is deemed to be supplied from thermal sources. The following formula shall apply to calculate the Non-Firm Energy rate:

$$\{(A \div B) \times (1 + C) \times (1 \div (1 - D))\} \times 100$$

- A = the monthly average cost of fuel per barrel for the energy source in the current month or, in the month the source was last used
- B = the conversion factor for the source used (kWh/bbl)
- C = the administrative and variable operating and maintenance charge (10%)
- D = the average system losses on the Island Interconnected grid for the last five years ending in 2016 (3.34%).

The energy sources and associated conversion factors are:

- 1) Holyrood, using No. 6 fuel with a conversion factor of 583 kWh/bbl
- 2) Gas turbines using No. 2 fuel with a conversion factor of 475 kWh/bbl
- 3) Diesels using No. 2 fuel with a conversion factor of 556 kWh/bbl

Adjustment for Losses

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.

NEWFOUNDLAND AND LABRADOR HYDRO
INDUSTRIAL – WHEELING

Availability

Any person purchasing power, other than a retailer, supplied from the Interconnected Island bulk transmission grid at voltages of 66 kV or greater on the primary side of any transformation equipment directly supplying the person and who has entered into a contract with Hydro for the purchase of firm power and energy and whose Industrial Service Agreement so provides.

Rate

Energy Charge

All kWh (Net of losses)* @ 0.831 ¢ per kWh

*For the purpose of this Rate, losses shall be 3.34%, the average system losses on the Island Interconnected Grid for the last five years ending in 2016.

General

Details regarding the conditions of Service are outlined in the Industrial Service Agreements.

This rate schedule does not include the Harmonized Sales Tax (HST) which applies to electricity bills.