

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

AN ORDER OF THE BOARD

NO. P.U. 16(2022)

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

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for recovery
9 of the 2021 balances in (i) the Isolated Systems
10 Supply Cost Variance Deferral Account, (ii) the
11 Revised Energy Supply Cost Variance Deferral
12 Account, and (iii) the Holyrood Conversion Rate
13 Deferral Account, pursuant to sections 70(1) and
14 80 of the *Act*.
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16

17 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
18 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
19 and is also subject to the provisions of the *EPCA*; and
20

21 **WHEREAS** the definitions of the Isolated Systems Supply Cost Variance Deferral Account
22 (“Isolated Systems Deferral Account”), the Energy Supply Cost Variance Deferral Account, and
23 the Holyrood Conversion Rate Deferral Account were approved in Order No. P.U. 22(2017); and
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25 **WHEREAS** in Order No. P.U. 30(2019) the Board approved the definition of the Revised Energy
26 Supply Cost Variance Deferral Account which added variations in off-island power purchases, in
27 price and volume, to the sources covered by the deferral account definition; and
28

29 **WHEREAS** in Order No. P.U. 1(2021) the Board approved a revision to the Revised Energy
30 Supply Cost Variance Deferral Account to allow for the flow-through of variances associated with
31 future firm energy purchase agreements which may be approved between Hydro and Corner Brook
32 Pulp and Paper Limited; and
33

34 **WHEREAS** in Order No. P.U. 4(2022) the Board approved the Supply Cost Variance Deferral
35 Account to become effective November 1, 2021, which discontinued transfers to the Revised
36 Energy Supply Cost Variance Deferral Account and the Holyrood Conversion Rate Deferral
37 Account; and

1 **WHEREAS** in Order No. P.U. 4(2022) the Board also approved revised deferral account
2 definitions requiring Hydro to file an application for the disposition of the October 31, 2021
3 balances in the Revised Energy Supply Cost Variance Deferral Account and the Holyrood
4 Conversion Rate Deferral Account no later than March 31, 2022; and

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6 **WHEREAS** there is no change to the Isolated Systems Supply Cost Variance Deferral Account
7 and the approved account definition requires Hydro to file an application for the approval of the
8 disposition of the December 31st balance in the Isolated Systems Supply Cost Variance Deferral
9 Account no later than March 31st of each year; and

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11 **WHEREAS** the deferral accounts are collectively referred to as the “Supply Deferral Accounts”;
12 and

13
14 **WHEREAS** on March 31, 2022 Hydro filed an application requesting approval of the allocation
15 of the 2021 balances in the Supply Deferral Accounts, totaling approximately \$12.4 million,
16 consistent with the methodologies approved for disposition in previous years (the “Application”);
17 and

18
19 **WHEREAS** the Application proposes that the 2021 Isolated Systems Deferral Account credit
20 balance of \$2,510,273 be allocated between Newfoundland Power Inc. (“Newfoundland Power”)
21 and the Hydro Rural Labrador Interconnected System customers based on the 2019 Test Year
22 Rural Deficit allocation which would result in a credit balance of \$2,412,372 owing to
23 Newfoundland Power and a \$97,901 credit to Hydro’s net income; and

24
25 **WHEREAS** the Application proposes that the 2021 Revised Energy Supply Cost Variance
26 Deferral Account debit balance of \$13,006,370 be allocated on the basis of energy consumption
27 for the prior twelve months, ending October 31, 2021, in which the balance accumulated which
28 would result in a balance owing of \$12,090,722 from Newfoundland Power, a balance owing of
29 \$880,531 from the Island Industrial customers, and \$35,117 to be allocated to the Hydro Rural
30 Labrador Interconnected System customers to be applied as a reduction to Hydro’s net income;
31 and

32
33 **WHEREAS** the Application proposes that the 2021 Holyrood Conversion Rate Deferral Account
34 debit balance of \$1,898,161 also be allocated on the basis of energy consumption for the prior
35 twelve months, ending October 31, 2021, in which the balance accumulated which would result
36 in a balance owing of \$1,764,530 from Newfoundland Power, a balance owing of \$128,505 from
37 the Island Industrial customers and \$5,125 to be allocated to the Hydro Rural Labrador
38 Interconnected System customers to be applied as a reduction to Hydro’s net income; and

39
40 **WHEREAS** the Application proposes to transfer the allocated balances associated with the 2021
41 Supply Deferral Accounts to the Rate Stabilization Plan (“RSP”) Current Plan balances as of
42 March 31, 2022 to be recovered from customers through the RSP Current Plan Adjustment; and

43
44 **WHEREAS** the Application was circulated to: Newfoundland Power; the Consumer Advocate,
45 Dennis Browne, Q.C.; a group of Island Industrial customers: Corner Brook Pulp and Paper
46 Limited, Braya Renewable Fuels (Newfoundland) GP Inc. (formerly known as NARL Refining

1 Limited Partnership), Vale Newfoundland and Labrador Limited; Praxair Canada Inc.; and Teck
2 Resources Limited; and

3
4 **WHEREAS** the Board issued one Request for Information which was answered by Hydro on April
5 13, 2022; and

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7 **WHEREAS** the Board engaged Grant Thornton LLP to review the Application and its report was
8 submitted to the Board on April 19, 2022, with a revision filed April 21, 2022; and

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10 **WHEREAS** Grant Thornton LLP concluded in its report that there was nothing to suggest that the
11 amounts reported are not in accordance with the account definitions approved in Order Nos. P.U.
12 22(2017), P.U. 30(2019), P.U. 1(2021), and P.U. 4(2022); and

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14 **WHEREAS** Newfoundland Power advised on April 27, 2022 that they had no comments on the
15 Application, and no other comments were received; and

16
17 **WHEREAS** on April 28, 2022 Hydro noted that Grant Thornton LLP did not identify any issues
18 and that there were no comments received from the parties and submitted that the balances in the
19 2021 Supply Deferral Accounts were prudently incurred by Hydro in its provision of least-cost,
20 reliable service, and asked that the Board approve the Application as filed; and

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22 **WHEREAS** the Board is satisfied that Hydro's proposals for the allocation and recovery of the
23 2021 Supply Deferral Accounts should be approved.

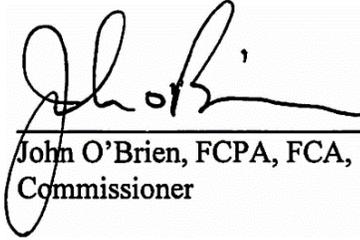
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26 **IT IS THEREFORE ORDERED THAT:**

- 27
28 1. The balances in the Revised Energy Supply Cost Variance Deferral Account, the Holyrood
29 Conversion Rate Deferral Account and the Isolated Systems Supply Cost Variance Deferral
30 Account for 2021 are approved.
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32 2. Hydro's proposals for the allocation by customer class of the balances in the Revised Energy
33 Supply Cost Variance Deferral Account, the Holyrood Conversion Rate Deferral Account and
34 the Isolated Systems Supply Cost Variance Deferral Account for 2021 are approved.
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36 3. Hydro's proposal to recover the amounts allocated to Newfoundland Power and the Island
37 Industrial customers through a transfer of balances to the respective RSP Current Plans
38 effective March 31, 2022, with recovery from Newfoundland Power and the Island Industrial
39 customers starting July 1, 2022 and January 1, 2023, respectively, is approved.
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41 4. Hydro shall pay all expenses of the Board arising from this Application.

DATED at St. John's, Newfoundland and Labrador, this 6th day of May, 2022.



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



John O'Brien, FCPA, FCA, CISA
Commissioner



Christopher Pike, LL.B., FCIP
Commissioner



Sara Kean
Assistant Board Secretary