

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

**AN ORDER OF THE BOARD**

**NO. P.U. 15(2023)**

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**,  
4 RSNL 1990, Chapter P-47 (the “**Act**”), as  
5 amended, and regulations thereunder; and  
6

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for  
9 approval, pursuant to sections 70(1) and  
10 71 of the **Act**, of a revised Utility Rate reflecting  
11 updated Rate Stabilization Plan Current Plan and  
12 Conservation and Demand Management Cost  
13 Recovery adjustments and continuation of  
14 the Project Cost Recovery Rider.  
15  
16

17 **DECISION SUMMARY**  
18

19 The Board will approve the application filed by Newfoundland and Labrador Hydro (“Hydro”) for  
20 approval of a revised utility rate to be effective on all electrical consumption on and after July 1,  
21 2023.  
22

23 **APPLICATION**  
24

25 On April 17, 2023 Hydro filed an application seeking approval for a revised utility rate, including  
26 updates to the Rate Stabilization Plan (“RSP”) Current Plan Adjustment and the Conservation and  
27 Demand Management (“CDM”) Cost Recovery Adjustment, and the continuation of the Project  
28 Cost Recovery Rider (the “Application”). The Application requested that the Board approve a  
29 revised utility rate effective July 1, 2023 reflecting:  
30

- 31 i) a revised RSP Current Plan Adjustment of 0.496 cents per kWh;  
32 ii) a revised CDM Cost Recovery Adjustment of 0.015 cents per kWh; and  
33 iii) the continuation of the Project Cost Recovery Rider of 0.798 cents per kWh.  
34

35 The Consumer Advocate, Dennis Browne, K.C. (the “Consumer Advocate”) and Newfoundland  
36 Power Inc. (“Newfoundland Power”) participated in the Application. On May 4, 2023 Hydro

1 responded to 18 Requests for Information filed by the Board and the Consumer Advocate, and  
2 Newfoundland Power responded to one Request for Information filed by the Board.

3  
4 On May 9, 2023 the Consumer Advocate filed comments on the Application and raised issues for  
5 the Board's consideration regarding the proposal to maintain the existing Project Cost Recovery  
6 Rider. Newfoundland Power advised on May 9, 2023 that it had no comments. On May 12, 2023  
7 Hydro filed its reply addressing issues raised by the Consumer Advocate relating to the proposed  
8 Project Cost Recover Rider and noted that there was no opposition from the parties regarding  
9 the proposed changes to the RSP Current Plan Adjustment or the CDM Cost Recovery  
10 Adjustment.

## 11 **BOARD DECISION**

### 12 **RSP Current Plan Adjustment**

13  
14 The Application stated that as of March 31, 2023 the RSP Current Plan balance was \$26.3 million  
15 owing from Newfoundland Power. This balance includes the transfer of the December 31, 2022  
16 Isolated Systems Supply Cost Deferral of approximately \$8.7 million to Newfoundland Power's  
17 RSP Current Plan balance effective March 31, 2023 as approved by the Board in Order No. P.U.  
18 7(2023). In accordance with the RSP Rules for Balance Disposition, approved in Order No. P.U.  
19 4(2022), the March 31, 2023 balance of \$26.3 million results in a revised Utility RSP Current Plan  
20 Adjustment of 0.496 cents per kWh, equating to an approximate average end-customer bill  
21 increase of 4.1% effective July 1, 2023.  
22

23  
24 The parties had no objection to Hydro's proposed changes to the RSP Current Plan Adjustment.  
25 The Board is satisfied that the proposed RSP Current Plan Adjustment of 0.496 cents per kWh is  
26 consistent with the RSP Rules for Balance Disposition and should be approved.  
27

### 28 **CDM Cost Recovery Adjustment**

29  
30 The CDM Cost Deferral Account requires Hydro to update the CDM Cost Recovery Adjustment  
31 annually to provide for the recovery of costs transferred to the account each year. In Order No.  
32 P.U. 37(2022) the Board approved a Revised CDM Cost Recovery Adjustment Definition to permit  
33 an increase in the amortization period of annual CDM costs from seven to ten years, effective as  
34 of January 1, 2023, for both historical balances and annual charges. The revised CDM Cost  
35 Recovery Adjustment of 0.015 cents per kWh, equates to an approximate average end-customer  
36 bill decrease of 0.2% effective July 1, 2023.  
37

38  
39 The parties had no objection to Hydro's proposed changes to the CDM Cost Recovery  
40 Adjustment. The Board is satisfied that the proposed CDM Cost Recovery Adjustment of 0.015  
41 cents per kWh is consistent with the approved CDM Cost Deferral Account and should be  
42 approved.

## 1 **Project Cost Recovery Rider**

2

3 In Order No. P.U. 19(2022) the Board approved the commencement of the recovery of Muskrat  
4 Falls Project costs and implemented a Project Cost Recovery Rider of 0.798 cents per kWh  
5 effective July 1, 2022.<sup>1</sup> The Application proposes that the existing Project Cost Recovery Rider be  
6 continued. The Consumer Advocate submitted that Hydro should reduce the Project Cost  
7 Recovery Rider to offset the impacts of the RSP Current Plan Adjustment, the CDM Cost Recovery  
8 Adjustment and Newfoundland Power's anticipated Rate Stabilization Account adjustment and  
9 Municipal Tax Adjustment Factor.

10

11 The Board notes that reducing the Project Cost Recovery Rider would reduce the amount which  
12 is recovered with respect to the costs associated with the Muskrat Falls Power Purchase  
13 Agreement and the Transmission Funding Agreement at a time when the monthly charges to  
14 Hydro have increased significantly due to the commissioning of the Labrador Island Link on April  
15 14, 2023. Based on the evidence the combined monthly charges are greater than \$60 million per  
16 month, with approximately \$4 million per month (on average) currently being recovered from  
17 the Project Cost Recovery Rider. The Board accepts Hydro's explanation that it would have  
18 proposed an increase in the Project Cost Recovery Rider to partially reflect the increase in  
19 monthly charges except for the material proposed rate increase and government's direction not  
20 to increase the costs already being recovered from customers.<sup>2</sup>

21

22 The preliminary estimate of the overall average customer rate impact due to Hydro's proposed  
23 rate adjustments and Newfoundland Power's projected rate adjustments is an increase of  
24 approximately 6.9% effective July 1, 2023. While the rate impacts are material they are less than  
25 the levels which would normally be considered to result in rate shock. The Board notes that the  
26 overall average increase for each customer class does not exceed 10%. The Board is satisfied that  
27 Hydro's proposal to maintain the Project Cost Recovery Rider represents an end result which is  
28 fair, just and reasonable from the perspective of both the consumer and the utility. The Board  
29 believes that despite the fact that maintaining the current Project Cost Recovery Rider would  
30 result in a rate increase, it is consistent with the regulatory principles of cost of service, rate  
31 stability and intergenerational equity as it provides for recovery, at least in part, of the increase  
32 in the costs of providing service which will serve to mitigate the magnitude of anticipated rate  
33 increases for future customers in the coming years. While the magnitude and timing of the future  
34 rate increases will not be known until the details with respect to rate mitigation are settled, it is  
35 clear that the rate increases will be significant.

36

37 While the Consumer Advocate argued that reducing the Project Cost Recovery Rider would not  
38 be especially onerous in light of the grant from the provincial government for rate mitigation and  
39 considering Hydro's recent profits, the Board does not believe that these are relevant

---

<sup>1</sup> Payments were to be credited to the Project Cost Recovery – Utility component of the Supply Cost Variance Deferral Account.

<sup>2</sup> On April 14, 2023 Hydro received correspondence from the Government of Newfoundland and Labrador regarding the revised Utility Rate effective July 1, 2023 and requested Hydro include no additional Lower Churchill Project-related costs to be recovered from customers in its rates.

1 considerations in this Application.<sup>3</sup> The provincial government directed how the grant was to be  
2 used and reducing the Project Cost Recovery Rider would not impact Hydro's income since the  
3 Muskrat Falls Project costs are being deferred in the approved Supply Cost Variance Deferral  
4 Account. In terms of the Consumer Advocate's comments as to the objective of the provincial  
5 government, the Board believes that the provincial government's more recent correspondence  
6 of April 14, 2023, not the 2022 correspondence with respect to the 2022 Utility Rate adjustment,  
7 is relevant to this Application. In this correspondence the government did not request Hydro to  
8 reduce the Project Cost Recovery Rider, nor did it request Hydro to maintain electricity rates at  
9 or close to current levels.<sup>4</sup>

10  
11 The Board is satisfied that the proposal to continue the Project Cost Recovery Rider at 0.798 cents  
12 per kWh is appropriate in the circumstances.

13  
14  
15 **IT IS THEREFORE ORDERED THAT:**

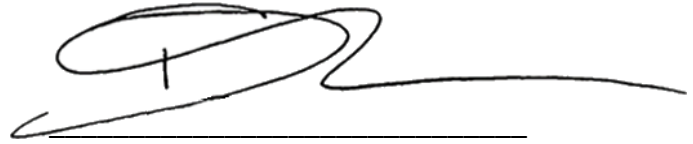
- 16  
17 1. The proposed Utility Rate as set out in Schedule A to this Order, to be effective on all electrical  
18 consumption on and after July 1, 2023, is approved.  
19  
20 2. Hydro shall pay all expenses of the Board arising from the Application.

---

<sup>3</sup> On March 30, 2023 the Minister of Industry, Energy and Technology provided a grant of \$190,404,321 for the purposes of rate mitigation. Hydro was directed to credit this grant to the Rate Mitigation Fund component of the Supply Cost Variance Deferral Account.

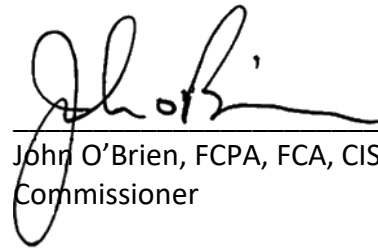
<sup>4</sup> On May 20, 2022 Hydro received correspondence from the Government of Newfoundland and Labrador regarding the revised Utility Rate effective July 1, 2022 and requested Hydro to maintain retail electricity rates as close to current levels as possible.

**DATED** at St. John's, Newfoundland and Labrador, this 1<sup>st</sup> day of June 2023.



---

Dwanda Newman, LL.B.  
Vice-Chair



---

John O'Brien, FCPA, FCA, CISA  
Commissioner



---

Christopher Pike, LL.B., FCIP  
Commissioner



---

Sara Kean  
Assistant Board Secretary

**NEWFOUNDLAND AND LABRADOR HYDRO  
SCHEDULE OF RATES, RULES AND REGULATIONS  
UTILITY**

**Availability**

This rate is applicable to service to Newfoundland Power ("NP").

**Definitions**

"Billing Demand"

The Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below.

In the months of January through March, billing demand shall be the greater of:

- a) The highest Native Load less the Generation Credit and the Curtailable Credit, beginning in the previous December and ending in the current month; and
- b) The Minimum Billing Demand.

In the months of April through December, billing demand shall be the greater of:

- a) The Weather-Adjusted Native Load less the Generation Credit and the Curtailable Credit, plus the Weather Adjustment True-up; and
- b) The Minimum Billing Demand.

If at the time of establishing its Maximum Native Load, NP has been requested by Hydro to reduce its Native Load by shedding curtailable load, the calculation of Billing Demand for each month shall not deduct the Curtailable Credit.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	<b>kW</b>
Hydraulic Generation Credit	83,486
Thermal Generation Credit	34,568
<b>Newfoundland Power Generation Credit</b>	<b>118,054</b>

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**SCHEDULE OF RATES, RULES AND REGULATIONS**  
**UTILITY**

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, NP will be provided with an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

“Curtailed Credit” is determined based upon NP’s forecast curtailable load available for the period in accordance with the terms and conditions set forth in NP’s Curtailed Service Option. NP will notify Hydro of its available curtailable load with its forecast of annual and monthly electricity requirements.

In order to receive the Curtailed Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtailed Credit. This will be verified in a test by curtailing load at a minimum of this level for a period of one hour. The test will be carried out at a mutually agreed time in December. If the level is not sustained, the Curtailed Credit will be reduced to the level sustained. If Hydro requests NP to curtail load before a test is completed and NP demonstrates the capability to curtail to the level of the Curtailed Credit, no test will be required.

NP will be required to provide a report to Hydro no later than April 15 to demonstrate the amount of load curtailed for each request of Hydro during the previous winter season. If the load curtailed is less than forecast for either request during the winter season, the annual Curtailed Credit will be adjusted to reflect the average load curtailed for the winter season. If NP is not requested to curtail during the winter season, the Curtailed Credit will be established based upon the lesser of the load reduction achieved in the test or the forecast curtailable load (as provided in the previous two paragraphs).

“Maximum Native Load” means the maximum Native Load of NP in the four-month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit and the Curtailed Credit.

**NEWFOUNDLAND AND LABRADOR HYDRO**  
**SCHEDULE OF RATES, RULES AND REGULATIONS**  
**UTILITY**

The Curtailable Credit reflected in the Minimum Billing Demand will be set to equal the curtailable load used to determine the Maximum Native Load for NP for the most recently approved Test Year.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

“Native Load” is the sum of:

- a) The amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen-minute period thereafter;
- b) The total generation by NP averaged over the same fifteen-minute periods.

“Weather-Adjusted Native Load” means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load  
plus (Weather Adjustment, rounded to 3 decimal places, x 1,000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

“Weather Adjustment True-up” means one-ninth of the difference between:

- a) The greater of:
  - The Weather Adjusted Native Load less the Generation Credit and the Curtailable Credit (if applicable), times three; and
  - The Minimum Billing Demand, times three; and
- b) The sum of the actual billed demands in the Months of January, February and March of the current year.



NEWFOUNDLAND AND LABRADOR HYDRO  
SCHEDULE OF RATES, RULES AND REGULATIONS  
UTILITY

**Monthly Rates**

**Billing Demand Charge**

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

Demand Charge.....\$5.00 per kW of Billing Demand

**Energy Charge**

**November– April**

First 410,000,000 kilowatt-hours\* .....@ 2.444¢ per kWh

All excess kilowatt-hours\* .....@ 18.165¢ per kWh

**May–October**

First 250,000,000 kilowatt-hours\* .....@ 2.444¢ per kWh

All excess kilowatt-hours\* .....@ 18.165¢ per kWh

**Firming-Up Charge**

Secondary energy supplied by

Corner Brook Pulp and Paper Limited\* .....@ 2.882¢ per kWh

**RSP Adjustment - Current Plan**.....@ 0.496¢ per kWh

**Project Cost Recovery Rider**.....@ 0.798¢ per kWh

**CDM Cost Recovery Adjustment**.....@ 0.015¢ per kWh

**\*Subject to RSP Adjustment, CDM Cost Recovery Adjustment, and Project Cost Recovery Rider**

**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 to metered demand and energy.

**NEWFOUNDLAND AND LABRADOR HYDRO  
SCHEDULE OF RATES, RULES AND REGULATIONS  
UTILITY**

**Adjustment for Station Services and Step-Up Transformer Losses**

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering shall be applied to the metered demand.

**Weather Adjustment**

This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

- a) Weather adjustment shall be undertaken for use in determining NP's Billing Demand.
- b) Weather adjustment shall be derived from Hydro's NP native peak demand model.
- c) By September 30th of each year, Hydro shall provide NP with an updated weather adjustment coefficient incorporating the latest year of actuals.
- d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weigh regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, weather data from Environment Canada and/or wind chill formulation.
- e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition of underlying weather data.
- f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of the Weather-Adjusted Native Load by April 5th of each year.

**General**

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

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach a mutual agreement, the billing will be based on Hydro's best estimate.