

Office of the Consumer Advocate

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May 4, 2018

Via Courier

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

RE: Newfoundland and Labrador Hydro - 2017 General Rate Application

Further to the above-captioned, enclosed please find enclosed the original and thirteen (13) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-303 CA-NLH-314.

Yours truly,



**Stephen Fitzgerald
Counsel for the Consumer Advocate**

Encl.
/bb

cc **Newfoundland & Labrador Hydro**
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IN THE MATTER OF

the *Electrical Power Control Act, 1994*
SNL 1994, Chapter E-5.1 (the “*EPCA*”)
and the *Public Utilities Act, RSNL 1990*,
Chapter P-47 (the “*Act*”), as amended; and

IN THE MATTER OF a General Rate
Application by Newfoundland and Labrador
Hydro to establish customer electricity rates
for 2018 and 2019; and

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NLH-303 to CA-NLH-314

Issued: May 4, 2018

- 1 CA-NLH-303 (Application for Approval to Defer the 2015, 2016 and 2017 Balances in
2 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
3 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
4 Deferral Account, April 13, 2018 Letter to the Board) Based on Hydro's
5 current proposals in the 2017 GRA and the 2018 Interim Rates Application,
6 and incorporating the results of the Settlement Agreement on the 2017 GRA
7 and the latest fuel price forecast, please provide a table showing for the
8 following dates the average rate in cents/kWh and the average rate increase
9 from the previous period in percent for each Island Interconnected customer
10 class: July 1, 2017, April 1, 2018, July 1, 2018 and January 1, 2019. Please
11 show any amounts still owed by each customer class as of December 31,
12 2019 and the forecast balance in the proposed Off-Island Purchases
13 Deferral Account at year-end 2019. Please provide this information for the
14 Deferral Account Scenario and the Expected Supply Scenario. For the
15 Expected Supply Scenario, please show results with and without the
16 LIL/LTA O&M costs in the cost of service; i.e., for the "without case",
17 assume LIL/LTA O&M costs are recovered at a future date when the
18 Muskrat Falls project is commissioned.
19
- 20 CA-NLH-304 (Application for Approval to Defer the 2015, 2016 and 2017 Balances in
21 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
22 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
23 Deferral Account, April 13, 2018 Letter to the Board) Please provide the
24 same information requested in CA-NLH-303 for the same scenarios, but
25 assuming that all of the 2018 revenue shortfall remaining at year-end 2018
26 is recovered in 2019, and that all of the \$65.4 million balance owing in the
27 supply cost deferral accounts is recovered in 2019 without any drawdown
28 from the proposed Off-Island Purchases Deferral Account.
29
- 30 CA-NLH-305 (Application for Approval to Defer the 2015, 2016 and 2017 Balances in
31 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
32 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
33 Deferral Account, April 13, 2018 Letter to the Board) It is understood that
34 the average residential rate today for Newfoundland Power customers is
35 11.7 cents/kWh. It is also understood that when Muskrat Falls comes into
36 service the average residential rate for Newfoundland Power customers is
37 forecast to be 22.9 cents/kWh. Please confirm that if it is assumed Hydro is
38 granted the 2.8% base rate increase on July 1, 2018, the base rate increases
39 needed to take rates from where they would be on July 1, 2018 to 22.9

1 cents/kWh on Jan 1 2021 assuming equal increases on January 1, 2019,
2 January 1, 2020 and January 1, 2021 would be of the order of 24%. Please
3 also confirm that for the case where Hydro is not granted the 2.8% interim
4 base rate increase on July 1, 2018, the corresponding base rate increases
5 needed to take rates from where they are today to the 22.9 cents/kWh on
6 January 1, 2021 would be of the order of 25%.

7
8 CA-NLH-306

(Application for Approval to Defer the 2015, 2016 and 2017 Balances in
9 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
10 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
11 Deferral Account, April 13, 2018 Letter to the Board) It is understood that
12 the average residential rate today for Newfoundland Power customers is
13 11.7 cents/kWh. It is also understood that Hydro is targeting a rate of 18
14 cents/kWh when Muskrat Falls comes into service (see April 24, 2018
15 transcript, page 188, lines 1 to 6). Please confirm that if it is assumed Hydro
16 is granted the 2.8% base rate increase on July 1, 2018, the base rate
17 increases needed to take rates from where they would be on July 1, 2018 to
18 18 cents/kWh on January 1, 2021 assuming equal increases on January 1,
19 2019, January 1, 2020 and January 1, 2021 would be of the order of 14%.
20 Please also confirm that for the case where Hydro is not granted the 2.8%
21 interim base rate increase on July 1, 2018, the corresponding base rate
22 increases needed to take rates from where they are today to 18 cents/kWh
23 on January 1, 2021 would be of the order of 15%.

24
25 CA-NLH-307

(Application for Approval to Defer the 2015, 2016 and 2017 Balances in
26 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
27 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
28 Deferral Account, April 13, 2018 Letter to the Board) Based on Hydro's
29 forecast of funds expected to accumulate in the proposed Off-Island
30 Purchases Deferral Account through 2020, how much would the rate
31 increase needed on January 1, 2021 be reduced in percent if all of the
32 forecast balance in the proposed Off-Island Purchases Deferral Account
33 were applied to reduce the revenue requirement needed in 2021? How much
34 would the rate increase needed on January 1, 2019 be reduced in percent if
35 all of the forecast balance in the proposed Off-Island Purchases Deferral
36 Account at year-end 2020 were applied to reduce the revenue requirement
37 needed in 2019?

1 CA-NLH-308 (Application for Approval to Defer the 2015, 2016 and 2017 Balances in
2 the Isolated Systems Supply Cost Variance Deferral Account, the Energy
3 Supply Cost Variance Deferral Account and the Holyrood Conversion Rate
4 Deferral Account, April 13, 2018 Letter to the Board) Hydro is proposing
5 an effective rate increase for Newfoundland Power customers of 7.5% on
6 July 1, 2018. In Hydro's opinion what is the maximum rate increase that
7 can be implemented for these customers on January 1, 2019 without causing
8 "rate shock"?

9
10 CA-NLH-309 (Hydro's April 30, 2018 submission to the Board concerning the *Motion of*
11 *the Consumer Advocate requesting clarification of the Jurisdiction of the*
12 *Board*) It is understood that Hydro's position with respect to Board
13 jurisdiction is that: 1) the Board has no jurisdiction over any costs related
14 to the Muskrat Falls project; i.e., if a cost is identified with respect to the
15 Muskrat Falls project, the Board is required to pass through the cost to
16 Island customers without any review or modification, and 2) the costs of
17 the Muskrat Falls project cannot be recovered from customers until the
18 project as a whole is near commissioning and at this time, the project is not
19 considered to be near commissioning.

20
21 a) Please confirm the accuracy of this statement, or otherwise provide a
22 modified statement reflecting Hydro's position with respect to Board
23 jurisdiction.

24
25 b) Please explain why it is necessary to set aside LIL/LTA O&M costs in
26 the proposed Off-Island Purchases Deferral Account if, as Hydro
27 believes, the Board is required to pass these costs through to customers
28 when the Muskrat Falls project is near commissioning. Please explain
29 why these costs would not be accumulated as part of the Muskrat Falls
30 project costs and be passed through to customers at the same time all
31 other costs of the Muskrat Falls project are passed through.

32
33 c) If Hydro continues to believe it appropriate to set aside LIL/LTA O&M
34 costs in the proposed Off-Island Purchases Deferral Account, why does
35 Hydro consider it appropriate to set aside only the O&M costs rather
36 than the O&M costs and capital costs associated with the LIL/LTA
37 transmission assets?

- 1 d) Please explain what options might be available to the Government's rate
 2 mitigation committee to "mitigate" rates when as a requirement of the
 3 financing for the Muskrat Falls project the Board is required to pass
 4 through all costs of the project. What recourse does the Government rate
 5 mitigation committee have if all costs are governed by legal
 6 instruments?
 7
- 8 e) What is the value of using an 18 cents/kWh target if rates on the Island
 9 are forecast to be 22.9 cents/kWh in 2021 and if owing to financing
 10 requirements for the Muskrat Falls project the Government's rate
 11 mitigation committee has no recourse? At this point, how realistic is any
 12 target other than the 22.9 cents/kWh figure forecast by Nalcor?
 13
- 14 f) Do the companies that own the Muskrat Falls facilities have any
 15 incentive to manage costs when they are allowed direct pass through of
 16 all costs to customers without any vetting or modification by the Board?
 17 If so, please explain.
 18
- 19 g) Are there any means available for reducing rates from the 22.9
 20 cents/kWh forecast by Nalcor other than Hydro's ability to cut costs that
 21 are not associated with the Muskrat Falls project?
 22

23 CA-NLH-310

(CA-NLH-298) In the response to CA-NLH-298, Hydro states "*Under the Expected Supply Scenario, should actual savings from off-island power purchases be less than reflected in the test year forecast, a supply cost balance owing from customers would accumulate in the Revised Energy Supply Cost Variance Deferral Account. This would result in higher rates for customers to be recovered during a future recovery period. This increase in rates would likely occur during the same timeframe that customer rate increases are being implemented to recover the cost of the Muskrat Falls Project, further compounding the required rate increases to customers on the Island Interconnected System.*"

- 34 a) Is this not true for any deferral account?
 35
- 36 b) Is it possible that the Isolated Systems Supply Cost Variance Deferral
 37 Account, the Energy Supply Cost Variance Deferral Account, the
 38 Holyrood Conversion Rate Deferral Account and the Rate Stabilization
 39 Plan might result in rate increases being implemented "*during the same*

1 *timeframe that customer rate increases are being implemented to*
 2 *recover the cost of the Muskrat Falls project, further compounding the*
 3 *required rate increases to customers on the Island Interconnected*
 4 *System”?*

- 5
 6 c) Does Hydro propose to discontinue or modify the Isolated Systems
 7 Supply Cost Variance Deferral Account, the Energy Supply Cost
 8 Variance Deferral Account, the Holyrood Conversion Rate Deferral
 9 Account and the Rate Stabilization Plan to avoid the potential for rate
 10 increases “*during the same timeframe that customer rate increases are*
 11 *being implemented to recover the cost of the Muskrat Falls project,*
 12 *further compounding the required rate increases to customers on the*
 13 *Island Interconnected System”?*

14
 15 CA-NLH-311 Could a rate mitigation plan based on a rate surcharge or rate rider provide
 16 reserve funds that could be used by the Board to mitigate rate increases
 17 brought on by the Muskrat Falls project, or to deal with rate increases
 18 brought on by any of the deferral accounts including the Revised Energy
 19 Supply Cost Variance Deferral Account that might be implemented if the
 20 Board were to approve the Expected Supply Scenario?

21
 22 CA-NLH-312 Based on evidence filed to date and cross-examination of Mr. Haynes and
 23 Ms. Dalley, is Hydro of the belief that the intervenors support its proposed
 24 Off-Island Purchases Deferral Account? Please reference any supporting
 25 evidence.

26
 27 CA-NLH-313 Under Hydro’s proposed Deferral Account Scenario, Newfoundland Power
 28 would be allocated more of the rural deficit than it would under the
 29 Expected Supply Scenario. Further, Rural and Isolated Customer rates
 30 would be higher. Please explain why in Hydro’s view this is fair and
 31 justified, and if this is consistent with Government directives on rates and
 32 the rural deficit.

33
 34 CA-NLH-314 Given that Hydro believes a Board decision on the 2017 GRA is unlikely
 35 before year-end and possibly not until 2019, is Hydro proposing a new
 36 schedule for the 2019 GRA? Is a 2019 GRA needed given that Muskrat
 37 Falls will not be placed in service until late 2020? What would be the
 38 repercussions of waiting until 2020 to file the next GRA?

DATED at St. John's, Newfoundland and Labrador, this 4th day of May, 2018.

Per:



Stephen Fitzgerald

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