

The Consumer Advocate

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The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL
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**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

**Re: Rate Mitigation Options and Impacts Reference
Draft Issues to be Reviewed
Schedule and Process**

We have the April 3, 2019 letter relating to the Rate Mitigation Options and Impacts Reference with a request for comments on a Draft Issues List.

We note that the Draft Issues List is at a high level and appears to cover generally what is required to address Reference Questions. Nevertheless, it is our position the following issues mentioned in the Draft Issues List, are of significant interest and should be specifically and fully explored:

- a) We maintain that in addition to covering exports, it is necessary to cover imports of capacity and energy as well. Hydro has a unique ability to store large amounts of electrical energy in its hydro reservoirs to enable purchases of energy from the market during periods of low market prices and sales of energy during periods of high market prices. Hydro refers to this as "ponding", and has been doing this for many years on the Island in an effort to minimize production from the high cost Holyrood TGS.

With the addition of the LIL and the ML, this approach can now be expanded to the greater North American electricity market. We want to ensure that consumers in the Province receive maximum value from these very costly interconnections. We understand that in order to take full advantage of "ponding" it would be advantageous to form a regional transmission organization among the Canadian Atlantic Provinces to eliminate rate pancaking. Further, we understand that better information may be needed on the transfer capacities and the emergency support available over the Maritime Link and the domestic transmission networks in the Northeastern US states and the Canadian Atlantic Provinces;

- b) Further, with respect to exports we want to see market price forecasts for capacity and energy under different scenarios. We are interested in knowing where the Consultants believe market prices are going and why.
- c) With respect to organization, we would like to see a discussion of the pros and cons of organizing the Muskrat Falls project as a separate cost center with a management team whose principle objective is to maximize profits from the project. The project would remain under the control of the NL System Operator so reliability would not be impacted. We believe that a management team with the primary objective of maximizing profits from sales over and above those needed to supply the Island system and commitments to Nova Scotia may provide significant benefits to consumers. Further, it would provide transparency with respect to Muskrat Falls project costs, revenues and impact on rates, particularly if it is decided going forward that Muskrat Falls costs should be recovered in a surcharge on customer bills.
- d) Further, we would like the Consultants to consider the structure of the electricity industry in the Province, particularly Hydro's exclusive right to sell power in the Province. For example, would consumers benefit if industrial customers, and Newfoundland Power for that matter, were given the right to procure power to meet their own needs, or in Newfoundland Power's case, to meet the needs of its customers?
- e) We note that electrification, conservation, and demand management are addressed explicitly in the Draft Issues List, but rate design is identified only in terms of electrification. We believe rate design should be addressed explicitly given its importance to all three of these areas, not only electrification.

The Reference provides an opportunity for all parties and their experts to work together to attempt to resolve impacts resulting from the costly Muskrat Falls debacle. We offer that is in our mutual interests to do just that.

Yours truly,



Dennis Browne, Q.C.
Consumer Advocate

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