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April 10, 2019

VIA Electronic Mail and Courier

Board of Commissioners of Public Utilities
120 Torbay Road
PO Box 21040
St. John's NL A1A 5B2

Attention: Cheryl Blundon

Dear Ms. Blundon:

Re: Rate Mitigation Options and Impacts Reference

The Island Industrial Customer Group have the following comments in respect of the Board's Draft Issues to be Reviewed and the Schedule and Process for the Rate Mitigation Review Phase II, as circulated by the Board's correspondence dated April 3, 2019.

With respect to the Draft Issues to be Reviewed, the Industrial Customer Group believes that the Issues identified are reasonably comprehensive, subject to the following comments:

- The Industrial Customer Group is an agreement that the issues identified under the category of Potential Cost Savings (e.g., Muskrat Falls Project Financing, Rate of Return for the Muskrat Falls Project and for NL Hydro, Muskrat Falls Project O&M) should form part of Phase II Review. The Industrial Customer Group seek confirmation that the Board's consultants will be producing an entire revenue requirement for the Cost Savings scenarios they develop, so as to ensure that those scenarios can be thoroughly evaluated.
- As the full revenue requirement would be impacted by any new information about the need to maintain (and possibly refurbish) Holyrood beyond what is presently contemplated or to install new thermal generation on the Island, this information should be incorporated into any evaluated scenarios.
- While the Draft Issues to be Reviewed includes a review of ROE and asset transfer and/or consolidation of operating responsibilities, they do not explicitly include comment on NLH equity thickness. NLH equity thickness should be considered as it will be a possibly distinguishing feature between NLH and NP that could be relevant to assumptions about asset rationalization.
- The Draft Issues to be Reviewed does not explicit mention reliability. However, our understanding from the March 26, 2019 technical conference is that Liberty will include information on reliability. The Industrial Customer Group seek confirmation that there will be analysis of each suggested mitigation proposal's effect on the system's level of

reliability (both with respect to normal operating conditions/redundancy/stability, as well as overall supply sufficiency/over/underbuilt status at peak load times) and of any corresponding trade-offs (e.g. cost implications).

- The Draft Issues to be Reviewed includes revenue opportunities, including export revenue arising from CDM/DR conservation activities and added domestic loads arising from electrification. The Industrial Customer Group seeks to confirm that the analysis of these mitigation options will include an analysis of the associated costs (e.g., part of the Synapse presentation lists Smart Meters and Rebates) and, in particular, whether any savings/added revenues will actually pay for these initiatives.

With respect to the outlined Schedule and Process, the Industrial Customer Group appreciates that the Board will have to maintain a firm and exacting schedule to complete the Review within the allotted time frame. With respect to process, we note that the document does not make explicit reference to the Board's ongoing Information Requests (IR) process, other than the general reference to information gathering and analysis continuing over the February to August 2019 period. It is our understanding however that the sharing with the other parties of the information provided by Nalcor, NL Hydro and Newfoundland Power to the Board's consultants is intended to be accomplished by Board's IR process. We respectfully request that such sharing be effected in a timely manner, well before the second, and as applicable the third, technical conferences, so that the other parties and their consultants all have the advantage of working from the same evidence as they each prepare for those conferences.

We trust these comments are in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy
Partner

PLC/

Enclosure

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