



Senwung Luk
sluk@oktlaw.com
416.981.9443
74212

January 18, 2019

Public Utilities Board
Rate Mitigation Review
P.O. Box 21040
St. John's NL A1A 5B2

Re: Rate Mitigation Reference – Phase 1 comments

Dear Madam or Sir,

We write on behalf of the Labrador Interconnected Group, which includes Sheshatshiu Innu First Nation, and the Towns of Happy Valley-Goose Bay, Wabush, and Labrador City.

We are pleased to comment on the expert reports commissioned by the Public Utilities Board (the “Board” or “PUB”) as part of the Phase 1 of the Rate Mitigation Reference (the “Reference”).

Specifically, we wish to comment on the report by Synapse Energy Economics, Inc., entitled *Phase 1 Findings on Muskrat Falls Project Rate Mitigation* (the “Synapse Report”). We would suggest generally that the Board, in moving to the next phase, remind its consultants that the Island of Newfoundland and Labrador remain two separate systems. Structuring the analysis with this important distinction in mind would improve the accuracy and utility of the analysis.

For example, on page 1, the Synapse report notes the relatively flat load growth when accounting for the Island the Labrador together. However, it then adds in the footnote that the analysis excludes “potential new load in Labrador”. As the report notes later at page 23, the potential new load in Labrador is from 50 to 165 MW. It seems less circuitous to consider the Island the Labrador separately. Similarly, the Synapse report at page 7 states that it is performing an analysis of the “Newfoundland and Labrador Interconnected System”, when no such combined system exists.

In particular, we would suggest that Synapse should become more familiar with the provisions of OC2013-343, which provides for the recovery of Muskrat Falls Project costs from Island Interconnected System ratepayers. Unfortunately, the Synapse report at Phase 1 does not reference this Order-in-Council at all, even though it is a crucial part of the regulatory regime in the Province. Its terms will affect the relative efficacy of the different measures proposed in the Synapse report for mitigating Island rates, which are the ones that will be affected by the entering in service of the Muskrat Falls Project assets.

The Island Interconnected System and the Labrador System each have different rates, cost structures, and elasticities of demand. OC2013-343 stipulates that the Muskrat Falls Project

should have very different effects on the cost of service for each respective system as well, since Muskrat Falls costs should not be borne by Labrador ratepayers at all. This means that any price elasticity of demand analysis will be more precise if applied only to the Island Interconnected System. As well, since electrification rates are different as between the Island and Labrador, the impact of electrification policies will have vastly different impacts as well. It will be more precise to account for the two systems separately in the analysis.

Should you have any questions, please be sure to contact me.

Respectfully,
Olthuis, Kleer, Townshend LLP

PER:

A handwritten signature in black ink, appearing to read 'Senwung Luk', written over a horizontal line.

SENWUNG LUK
PARTNER

SL/tw