

March 31, 2025

Paul L. Coxworthy
Direct Dial: 709.570.8830
pcoxworthy@stewartmckelvey.com

Via E-Mail

Newfoundland and Labrador Board
of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo-Anne Galarneau, Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland and Labrador Hydro Application for Disposition of Balances within the Hydraulic Resources Optimization Deferral Account (HRODA)

These are the comments of the Island Industrial Customer (IIC) Group (Braya Renewable Fuels (Newfoundland) LP, Corner Brook Pulp and Paper Limited, and Vale Newfoundland and Labrador Limited) on the above Application, in the context of Newfoundland Power's March 27, 2025 submission that the Board should depart from the disposition of 2018-2023 HRODA balances proposed by Hydro.

Overview of Hydro Application

Hydro has, by its Application, proposed the transfer of HRODA balances, accrued over the period 2018 to 2023 and in the amount of \$5,711,673, to the Net Revenue from Exports component of the Supply Cost Variance Deferral Account (SCDVA). The great preponderance of the subject balances accrued in the 2020 - 2022 period.¹

Hydro has confirmed that, by this Application, it is not proposing any allocation of the 2018-2023 HRODA balances among its customer classes (Hydro will file an application for approval of rules of disposition of the SCDVA at some future unspecified time). However, Hydro has provided an estimated allocation based on the proportionate share of energy of each customer class in each applicable year. Hydro has estimated the Island Industrial Customers' share in the 2018-2023 HRODA balances to be \$371,585.²

Salient aspects of Newfoundland Power's March 27, 2025 Submission

The salient aspects of Newfoundland Power's March 27, 2025 Submission, from the perspective of the IIC Group, are the following:

¹ Application Schedule 1, page 7, Table 1.

² NP-NLH-001

[4156-4796-6555](tel:4156-4796-6555)

- Newfoundland Power submitted that the HRODA, as a deferral account, is unique when compared to the supply cost mechanism included in Hydro's SCVDA, which has both costs and credit balances subject to future customer cost allocation determinations.³ The IIC Group are in agreement with this submission.
- The HRODA is not currently part of the SCVDA, and the issue of its disposition is currently before the Board in this Application.⁴ The IIC Group are in agreement with this submission.
- Newfoundland Power submits that Hydro, by its responses to requests for information in the *Implementation of Rate Mitigation Plan* process, has indicated that Hydro may be able to provide the credit balances owing to Newfoundland Power while maintaining its adherence to Order in Council OC2024-062.⁵ While those requests for information were directed to the question of credits balances owing to Newfoundland Power pursuant to the Rural Rate Adjustment balance, the IIC Group submit that the discussion in those requests for information responses is equally applicable to other deferral account credit balances, and to credit balances owing to all customer classes.
- Newfoundland Power is requesting that its estimated \$5.3 million allocation of the 2018-2023 HRODA balances be transferred by Hydro as a one-time bill credit towards reduction of Newfoundland Power's Rate Stabilization Account. Newfoundland Power's submission is silent on the disposition of what would remain of the 2018-2023 HRODA balances, included the estimated allocation to the IIC Group.

Inter customer class fairness and equity

The IIC Group submit that it would be inimical to inter customer class and intergenerational fairness and equity to approve Newfoundland Power's requested transfer to it of its estimated allocation of the 2018-2023 HRODA balances, but proceed to transfer the remainder of those balances to the Net Revenue from Exports component of the SCDVA, for which rules of disposition have not yet been established. There is uncertainty as to when the SCDVA rules of disposition will be established. There is also uncertainty as to whether, when established, those rules will conform, in relation to the Net Revenue from Exports component of the SCDVA and generally in relation to the SCDVA, with Hydro's current estimated customer class allocation of the 2018-2023 HRODA balances.

The IIC Group note that the great preponderance of the 2018-2023 HRODA balances accrued in the 2020-2023 period. During this period, the Island Industrial Customers were exposed to, notwithstanding Hydro's acknowledged efforts to mitigate, rate increases which had a 2022 average billing impact of 12.7% and a 2023 average billing impact of 15.4%.⁶ The HRODA

³ NP March 27, 2025 Submission, page 3 of 4.

⁴ Ibid.

⁵ Ibid.

⁶ Hydro Application for Approval of the IIC Rate Stabilization Plan Adjustments dated January 13, 2023, Schedule 1, pages 3 and 5 of 15.

March 31, 2025

Page 3

balances for this period were able to be accrued by ponding and like measures made possible, in part, by infrastructure funded by the rates paid by Hydro's customers, including the Island Industrial Customers. It is submitted that it is fair and reasonable that the Island Industrial Customers receive, concurrent with Newfoundland Power and its customers, the timely benefit of these credit balances.

The IIC Group submit that inter customer class and intergenerational fairness and equity concerns can only be reasonably and effectively addressed by a one-time bill credit to Hydro's Island Industrial Customers of their estimated allocation of the 2018-2023 HRODA balances, concurrent with the transfer requested by Newfoundland Power of its estimated allocation.

Order in Council OC2024-062 and Rate Mitigation

The estimated allocation of the 2018-2023 HRODA balances to the Island Industrial Customers is in an amount that is material to the Island Industrial Customers, but which is not material to Hydro achieving the target 2.25% annual rate increases directed by OC2024-062. Hydro has not asserted that the transfer to the SCVDA of the overall 2018-2023 HRODA balances, let alone of the estimated allocation to Island Industrial Customers, is necessary for Hydro to achieve target 2.25% annual rate increases.

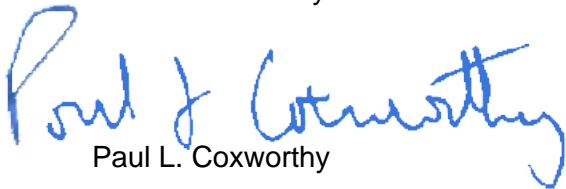
Timely and efficient proceedings

Allowing the transfer requested by Newfoundland Power of its estimated allocation of the 2018-2023 HRODA balances, and leaving the remainder in the HRODA, or transferring it to the SCDVA, would introduce unwarranted uncertainty and complication in future proceedings. It is respectfully submitted that disposition of these balances can and should be addressed, in a timely, complete and final manner, in the within Application.

We trust these submissions will be found to be in order.

Yours truly,

Stewart McKelvey



Paul L. Coxworthy

PLC/

- c. Shirley Walsh, Senior Counsel, Regulatory, Newfoundland and Labrador Hydro
Dennis Browne, K.C., Consumer Advocate
Dominic J. Foley, Newfoundland Power Inc.
Senwung F. Luk, Labrador Interconnected Group
Glen G. Seaborn, Poole Althouse
Denis J. Fleming, Cox & Palmer