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May 15, 2017

Via Electronic Mail & Courier

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

Attention: Ms. G. Cheryl Blundon
Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro – Amended 2013 General Rate Application –
Compliance Application – Order No. P.U. 49 (2016) – Recovery of Revenue
Deficiencies from Island Industrial Customer Load Variation Component Credit
Balance**

1 At this time we write to provide the joint proposal of the Island Industrial Customers Group ("IIC
2 Group"), Corner Brook Pulp and Paper Limited ("CBPPL") and NARL Refining Limited
3 Partnership ("NARL"), to which Vale Newfoundland and Labrador Limited ("Vale") agrees and
4 endorses, in relation to Hydro's proposal contained in the above noted Compliance Application
5 to recover revenue deficiencies from the approximately \$3.1 million remaining in the load
6 variation component credit balance allocated to the Island Industrial Customers.

7
8 As the Board would be aware, through Exhibit 1 to the Compliance Application (page 6), Hydro
9 summarized its proposal for the recovery of revenue deficiencies attributed to Industrial
10 Customers as follows:

11
12 "In the Amended GRA, Hydro proposed to utilize a portion of the credit balance in the
13 RSP to provide recovery of the revenue deficiencies. Hydro continues to propose this
14 approach as it has the advantage of recovering revenue deficiencies by using amounts
15 already collected from customers and avoids higher rates in the future in order to
16 recover the amount owing. This approach provides a better matching of 2015 proposed

1 rates with 2015 Test Year costs. As indicated in Table 3, 52% of the load variation
2 component of the RSP credit balance is required to provide recovery of the revenue
3 deficiency from the Island Industrial Customers.”
4

5 Hydro continued at line 1, page 7 of Exhibit 1, as follows:
6

7 “As such Hydro proposed to: (i) credit \$703,000 to increase the balance in the
8 Newfoundland Power RSP current plan to address the amounts owing as a result of the
9 excess revenues from interim base rates for Newfoundland Power; and (ii) transfer
10 \$1,631,000 from the Island Industrial Customer load variation component credit balance
11 of the RSP to eliminate the cumulative revenue deficiency for the period 2014 to 2017
12 from Island Industrial Customers.”
13

14 As the Board would also be aware, NARL has objected to the recovery of revenue deficiencies
15 from the Island Industrial Customers load variation component credit balance, noting specifically
16 in the correspondence of Stewart McKelvey dated April 10th, 2017, the following:
17

18 “As illustrated in Row D of the table above, if Hydro’s proposal is implemented,
19 InterGroup’s best estimate of the impact, for each IC, is:
20

- 21 • CBPP would have its \$1.862 million in deferred SAC offset by the RSP, and have
22 its GRA energy related credit of \$0.049 million credited to the RSP, and as a
23 result would have its potential future RSP allocation reduced by \$0.123 million,
24 for a net positive impact for CBPP OF \$1.690 million
25
- 26 • NARL would receive no credit for the SAC overcollection of \$0.174 million, have
27 its \$0.288 million GRA energy related credit assigned to the RSP, and would
28 have its future RSP allocations reduced by \$0.618 million, for a net negative
29 impact for NARL of \$1.079 million.”
30

31 CBPPL, through its individual submission of April 10th, 2017, and Vale (also through its
32 submission of even date), supported the proposal of Hydro with regard to dealing with the
33 revenue deficiency through the use of Island Industrial Customers load variation component
34 credit balance.
35

36 On April 21st, 2017, the Board (through correspondence to Tracey Pennell, Senior Counsel at
37 Hydro), confirmed that “to allow for the orderly implementation of rates on July 1st, 2017 the
38 Board has decided that the Industrial Customers RSP issues will not be addressed in the
39 Board’s Order relating to Hydro’s Compliance Application and will instead be addressed in a
40 subsequent Order of the Board”.
41

42 At that time the Board established a schedule for the timely consideration of this matter and the
43 implementation of Industrial Customer rates, effective July 1st, 2017, but encouraged “Hydro to
44 work with the Industrial Customers with a view to reaching a consensus as to the best approach
45 in the circumstances”.
46

47 The IIC Group, with the concurrence and agreement of Vale, have agreed to a proposal which,
48 if acceptable to the Board (after providing Praxair and Teck Resources Ltd. the opportunity to
49 comment on this proposal), would be acceptable to the parties to resolve this issue.
50

May 15th, 2017

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1 Essentially, NARL would receive a one time payment of \$0.174 million from the Island Industrial
2 Customers load variation component credit balance (representing the amount it claims to have
3 overpaid in specifically assigned charges) on or before July 1st, 2017, following which Hydro (in
4 accordance with its proposal in the Compliance Application) would transfer approximately
5 \$1,600,000 from the Island Industrial Customers load variation component credit balance of the
6 RSP to eliminate the cumulative revenue deficiency for the period 2014 to 2017 from Island
7 Industrial Customers.

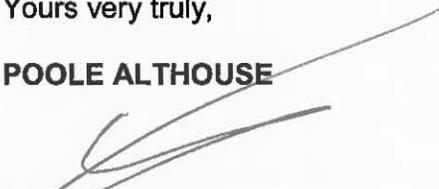
8
9 This proposal is being made after consultation with Hydro and we understand that Hydro both
10 agrees with and endorses this approach in the circumstances (we look forward to Hydro's
11 confirmation in that regard).

12
13 This proposal is made on a "Without Prejudice" basis to seek a resolution of this issue, as raised
14 by NARL and opposed by CBPPL, Vale and Hydro. If this proposal is not acceptable to the
15 Board, it is understood that all parties (CBPPL, NARL, Vale and Hydro) each reserve the right to
16 revert to their positions as outlined in the various correspondence filed by each party to date.

17
18 We trust you find the foregoing satisfactory.

Yours very truly,

POOLE ALTHOUSE



Dean A. Porter

DAP/lp

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cc: Tracey Pennell, Newfoundland and Labrador Hydro
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