

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 35(2020)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1
3 (the “*EPCA*”) and the *Public Utilities Act*,
4 RSNL 1990, Chapter P-47 (the “*Act*”), as
5 amended, and regulations thereunder; and
6

7 **IN THE MATTER OF** an application by
8 Newfoundland and Labrador Hydro for approval
9 of an account to defer the revenue requirement
10 impact associated with the sale of the frequency
11 converter to Corner Brook Pulp and Paper Limited.
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13

14 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
15 existing under the *Hydro Corporation Act*, is a public utility within the meaning of the *Act*, and is
16 subject to the provisions of the *EPCA*; and
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18 **WHEREAS** in Order No. P.U. 26(2018) the Board approved Hydro’s proposed sale of the
19 frequency converter located at the Corner Brook Pulp and Paper Limited (“CBPP”) mill to CBPP
20 for \$1; and
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22 **WHEREAS** the issue of which customers should bear the costs associated with the retirement of
23 the asset was deferred pending further inquiry; and
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25 **WHEREAS** in Order No. P.U. 16(2019), in relation to Hydro’s 2017 General Rate Application
26 (“GRA”), the Board approved, among other things, changes to Hydro’s methodology for
27 depreciation: and
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29 **WHEREAS** in Order No. P.U. 38(2019), following a review process that included a report from
30 Grant Thornton LLP, requests for information and submissions from the parties, the Board
31 determined that the loss on the sale of the frequency converter of approximately \$4.25 million
32 shall not be recovered from Hydro’s other customers; and

33 **WHEREAS** the Board was subsequently informed by Hydro that financing costs associated with
34 the loss on the sale of the CBPP frequency converter were included in Hydro's rate base in the
35 2017 GRA Compliance Application and therefore are included in final customer rates effective
36 October 1, 2019; and

37

38 **WHEREAS** on November 12, 2020 Hydro filed an application for a Frequency Converter
39 Depreciation Deferral Account ("Deferral Account") to defer the cumulative revenue requirement
40 impact associated with the loss on the sale of the frequency converter (the "Application"); and

41

42 **WHEREAS** the Application states that the 2019 test year revenue requirement impact is \$229,128,
43 which was calculated by re-computing the 2019 test year cost of service study to reflect the
44 removal of the loss on sale of the CBPP frequency converter from rate base; and

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46 **WHEREAS** the effective date of the Deferral Account is proposed to be December 9, 2019, the
47 date of Order No. P.U. 38(2019) directing that the loss associated with the sale not be borne by
48 Hydro's other customers; and

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50 **WHEREAS** Hydro proposes that this amount continue to accrue in the Deferral Account until
51 Hydro's next test year and that the disposition of the Deferral Account balance be addressed in its
52 next GRA through the reconciliation and settlement of revenue deficiency/surplus by customer
53 class on the proposed allocation percentages; and

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55 **WHEREAS** the Application was copied to: Newfoundland Power Inc.; the Consumer Advocate,
56 Dennis Browne, Q.C.; Hydro's Island Industrial customers: Corner Brook Pulp and Paper Limited,
57 NARL Refining Limited Partnership, Vale Newfoundland and Labrador Limited; Praxair Canada
58 Inc. and Teck Resources Limited; and

59

60 **WHEREAS** the Board issued requests for information which were answered by Hydro on
61 November 30, 2020; and

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63 **WHEREAS** the Board did not receive any comments on the Application; and

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65 **WHEREAS** on December 4, 2020 Hydro noted that no comments were received and requested
66 that the Board approve the Application as submitted; and

67

68 **WHEREAS** in response to PUB-NLH-001 Hydro stated that the effective date of the Deferral
69 Account should be December 9, 2019 and not October 1, 2019, as the Board approved the new
70 depreciation methodology in Order No. P.U. 16(2019) with no exceptions and Hydro only became
71 aware on December 9, 2019, when the Board issued Order No. P.U. 38(2019), that the loss on the
72 sale of the frequency converter would not be recovered from other customers; and

73 **WHEREAS** the Board is satisfied that the proposed Deferral Account to defer the cumulative
74 revenue requirement impact associated with the loss on the sale of the frequency converter, to be
75 effective December 9, 2019, is appropriate and should be approved.

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78 **IT IS THEREFORE ORDERED THAT:**

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80 1. The proposed Frequency Converter Depreciation Deferral Account, as set out in Schedule A
81 to this Order, with an effective date of December 9, 2019, for the deferral of the cumulative
82 revenue requirement impact associated with the loss on the sale of the frequency converter to
83 Corner Brook Pulp and Paper Limited, is approved.

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85 2. The disposition of the cumulative revenue requirement impact included in the Frequency
86 Converter Depreciation Deferral Account balance will be addressed as part of Hydro's next
87 general rate application.

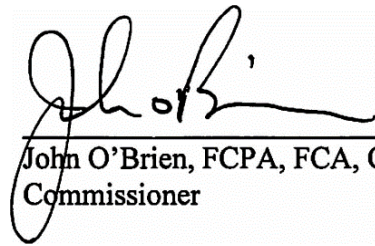
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89 3. Hydro shall pay all expenses of the Board arising from the Application.

DATED at St. John's, Newfoundland and Labrador, this 11th day of December, 2020.



Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer



John O'Brien, FCPA, FCA, CISA
Commissioner



Cheryl Blundon
Board Secretary

Frequency Converter Depreciation Deferral Account

Effective from December 2019 until such time that Newfoundland and Labrador Hydro adjusts its customer base rates following an order of the Board, this account shall be charged or credited at the conclusion of each calendar month based upon the following formula:

$$\text{Monthly Transfer} = [\text{2019 Test Year Revenue Requirement associated with the loss on disposal of the Corner Brook Pulp and Paper Frequency Converter in dollars}] \times [\text{Effective Number of Days}/365]$$

Where:

2019 Test Year Revenue Requirement associated with the disposal of the Corner Brook Pulp and Paper Frequency Converter = \$229,128

Effective Number of Days = Number of calendar days of the month, except for December 2019 which shall be fixed at 23 days

Disposition

Hydro shall apply for disposition of this account through its next General Rate Application.