NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

AN ORDER OF THE BOARD

NO. P.U. 1(2025)

IN THE MATTER OF the **Electrical Power Control Act, 1994,** SNL 1994, Chapter E-5.1 (the "**EPCA**") and the **Public Utilities Act**, RSNL 1990, Chapter P-47 (the "**Act**"), as amended, and regulations thereunder; and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro for the approval of an update to the wholesale utility rate charged to Newfoundland Power Inc., effective January 1, 2025, pursuant to subsection 70(1) of the **Act**.

WHEREAS Newfoundland and Labrador Hydro ("Hydro") is a corporation continued and existing under the **Hydro Corporation Act, 2024**, SNL 2024, Chapter H-18, is a public utility within the meaning of the **Act**, and is also subject to the provisions of the **EPCA**; and

WHEREAS on June 12, 2024 Hydro agreed, as part of a settlement agreement in Newfoundland Power Inc's ("Newfoundland Power") 2025/2026 General Rate Application, to apply to revise the wholesale rate approved in Order No. P.U. 30(2019); and

WHEREAS on September 16, 2024 in compliance with the settlement agreement, Hydro filed an application requesting approval of a new wholesale rate to be charged to Newfoundland Power, effective January 1, 2025 (the "Application"), as follows:

(i) An amendment to the first block of the wholesale rate to a quarterly blocking structure as follows:

Quarter ("Q")	kWh per Month
Q1 - January to March	590,000,000
Q2 - April to June	290,000,000
Q3 - July to September	130,000,000
Q4 - October to December	250,000,000

(ii) An updated first block energy rate of 8.515¢ per kWh;

(iii) An updated seasonal second block energy rate of 9.698¢ per kWh for winter months of December to March and 3.354¢ per kWh for the non-winter months of April to November; and

(iv) The continuation of a demand rate at the existing $5.00 per kW per month; and

WHEREAS the Application proposed to revise the wholesale rate to mitigate customer rate volatility and to ensure that the second block energy rate more accurately reflects Hydro's marginal cost of energy; and

WHEREAS the Application proposed a quarterly blocking structure for the first block energy rate and a new first block energy rate of 8.515¢ per kWh to ensure the overall wholesale rate recovers the 2019 Test Year revenue requirement to serve Newfoundland Power; and

WHEREAS the Application proposed a new second block energy rate to reflect the change in Hydro's marginal cost of energy from 18.165¢ per kWh, based on the cost of No. 6 fuel used at the Holyrood Thermal Generating Station, to 9.698¢ per kWh for winter months and 3.354¢ per kWh for non-winter months, based on the opportunity cost of the market value of export sales; and

WHEREAS the Application proposed that the revised wholesale rate be maintained until Hydro's next general rate application ("GRA") which would include a proposal for annual updates; and

WHEREAS the Application was copied to: Newfoundland Power; the Consumer Advocate, Dennis Browne, KC (the "Consumer Advocate"); a group of Island Industrial Customers: Corner Brook Pulp and Paper Limited, Braya Renewable Fuels (Newfoundland) GP Inc., and Vale Newfoundland and Labrador Limited (the "Island Industrial Customer Group"); the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City; Teck Resources Limited; Linde Canada Inc.; and Iron Ore Company of Canada.

WHEREAS the Consumer Advocate and the Island Industrial Customer Group issued requests for information which Hydro answered on October 11, 2024; and

WHEREAS on October 24, 2024 Newfoundland Power advised that it supported the Application; and

WHEREAS on October 25, 2024 the Consumer Advocate advised that he supported the proposed changes and noted that the utilities have committed to ensuring there will not be rate increases as result of the proposed changes to the wholesale rate and that the changes would reduce the volatility of July 1 rate adjustments; and

WHEREAS on October 25, 2024 the Island Industrial Customer Group raised concerns in relation to an isolated rate adjustment and submitted that it was a reasonable expectation that the utility wholesale rate would be addressed in Hydro's next GRA as the resolution of rate design issues

involves a balancing of embedded demand costs, marginal cost of energy and marginal cost of capacity, not adjusting for one factor in isolation; and

WHEREAS the Island Industrial Customer Group stated that they are faced with uncertainty about the impact on their future rates as a result of a reduction in revenues collected in the Supply Cost Variance Deferral Account, which could be exacerbated by a further delay in the filing of Hydro's GRA or if Newfoundland Power's load is higher than forecast; and

WHEREAS the Island Industrial Customer Group further submitted that an isolated adjustment of the marginal cost of energy ignores dramatically increasing capacity costs and risks sending price signals to customers which are inconsistent with conservation and demand management and rate mitigation objectives; and

WHEREAS the Island Industrial Customer Group are concerned that proceeding with a new utility wholesale rate risks embedding impacts that have not been considered by a fulsome rate design review; and

WHEREAS on November 1, 2024 Hydro filed its reply submitting that rate changes in between GRA filings are not historically unusual and updating the second block energy rate to Newfoundland Power in advance of its next GRA provides benefits to customers; and

WHEREAS Hydro agreed with the Island Industrial Customer Group that the marginal cost of capacity is a significant issue and stated that it will be considered, along with the embedded demand costs, in its next GRA; and

WHEREAS Hydro stated that the proposed seasonal second block energy rate sends a price signal to customers that it is more expensive to add load during the winter period and is consistent with conservation and demand management and rate mitigation objectives; and

WHEREAS the Board notes that the marginal cost of energy on the Island Interconnected system has decreased materially since the last GRA but the wholesale rate has not been updated to reflect this change; and

WHEREAS the Board accepts that the proposed revised wholesale rate will reduce the rate charged for second block energy to reflect the material reduction in the system marginal energy costs and will reduce the potential customer rate volatility associated with the annual July 1 customer rate changes; and

WHEREAS the Board is satisfied that the proposed change to a quarterly blocking structure for the first block energy rate and the change to the first block energy rate, which is calculated in a manner consistent with existing wholesale rate mechanics, provide for recovery of the 2019 Test Year revenue requirement to serve Newfoundland Power; and

WHEREAS the Board accepts that it is reasonable to continue the existing demand rate; and

WHEREAS the benefits of the implementation of the wholesale rate at this time include reduced volatility of annual rate changes and customer rates which better reflect the marginal cost of energy on the Island Interconnected system; and

WHEREAS the Board is satisfied that the proposed seasonal second block energy rate would better align the variations in Hydro's energy revenues with its variations in export sales that result from variances in energy sales to Newfoundland Power; and

WHEREAS the Board acknowledges the concerns raised by the Island Industrial Customer Group but finds that the implementation of the proposed wholesale rate at this time will be beneficial for customers of Newfoundland Power and the Board is satisfied that the issues raised, including the marginal cost of capacity and impacts on the rates can be addressed in Hydro's next GRA; and

WHEREAS the Board is satisfied that the proposed wholesale rate should be approved and that a methodology for updating the wholesale rate should be proposed by Hydro no later than its next GRA, or April 15, 2026.

IT IS THEREFORE ORDERED THAT:

1. The proposed wholesale rate to be charged to Newfoundland Power, as set out in Schedule A, to be effective January 1, 2025, is approved.

2. Hydro shall file a methodology for updating the wholesale rate no later than its next general rate application, or April 15, 2026.

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

DATED at St. John's, Newfoundland and Labrador, this 16th day of January 2025.

Kevin Fagan
Chair and Chief Executive Officer

Dwanda Newman, LL.B.
Vice-Chair

John O'Brien, FCPA, FCA, CISA
Commissioner

Jo-Anne Galarneau
Executive Director and Board Secretary

UTILITY

Availability

This rate is applicable to service to Newfoundland Power ("NP").

Definitions

"Billing Demand"

The Curtailable Credit shall apply to determine the billing demand as an adjustment to the highest Native Load established during the winter period. The computation of the adjustment to reflect the Curtailable Credit is provided in the definitions below.

In the months of January through March, billing demand shall be the greater of:

a) The highest Native Load less the Generation Credit and the Curtailable Credit, beginning in the previous December and ending in the current month; and

b) The Minimum Billing Demand.

In the months of April through December, billing demand shall be the greater of:

a) The Weather-Adjusted Native Load less the Generation Credit and the Curtailable Credit, plus the Weather Adjustment True-up; and

b) The Minimum Billing Demand.

If at the time of establishing its Maximum Native Load, NP has been requested by Hydro to reduce its Native Load by shedding curtailable load, the calculation of Billing Demand for each month shall not deduct the Curtailable Credit.

"Generation Credit" refers to NP's net generation capacity less allowance for system reserve, as follows:

	kW
Hydraulic Generation Credit	83,486
Thermal Generation Credit	34,568
Newfoundland Power Generation Credit	**118,054**

In order to continue to avail of the Generation Credit, NP must demonstrate the capability to operate its generation to the level of the Generation Credit. This will be verified in a test by operating the generation at a minimum of this level for a period of one hour as measured by the generation demand metering used to determine the Native Load. The test will be carried out at a mutually agreed time between December 1 and March 31 each year. If the level is not sustained, NP will be provided with an opportunity to repeat the test at another mutually agreed time during the same December 1 to March 31 period. If the level is not sustained in the second test, the Generation Credit will be reduced in calculating the associated billing demands for January to December to the highest level that could be sustained.

"Curtailable Credit" is determined based upon NP's forecast curtailable load available for the period in accordance with the terms and conditions set forth in NP's Curtailable Service Option. NP will notify Hydro of its available curtailable load with its forecast of annual and monthly electricity requirements.

In order to receive the Curtailable Credit, NP must demonstrate the capability to curtail its customer load requirements to the level of the Curtailable Credit. This will be verified in a test by curtailing load at a minimum of this level for a period of one hour. The test will be carried out at a mutually agreed time in December. If the level is not sustained, the Curtailable Credit will be reduced to the level sustained. If Hydro requests NP to curtail load before a test is completed and NP demonstrates the capability to curtail to the level of the Curtailment Credit, no test will be required.

NP will be required to provide a report to Hydro no later than April 15 to demonstrate the amount of load curtailed for each request of Hydro during the previous winter season. If the load curtailed is less than forecast for either request during the winter season, the annual Curtailable Credit will be adjusted to reflect the average load curtailed for the winter season. If NP is not requested to curtail during the winter season, the Curtailment Credit will be established based upon the lesser of the load reduction achieved in the test or the forecast curtailable load (as provided in the previous two paragraphs).

“Maximum Native Load” means the maximum Native Load of NP in the four-month period beginning in December of the preceding year and ending in March of the current year.

“Minimum Billing Demand” means ninety-nine percent (99%) of:

NP’s test year Native Load less the Generation Credit and the Curtailable Credit.

The Curtailable Credit reflected in the Minimum Billing Demand will be set to equal the curtailable load used to determine the Maximum Native Load for NP for the most recently approved Test Year.

“Month” means for billing purposes, the period commencing at 12:01 hours on the last day of the previous month and ending at 12:00 hours on the last day of the month for which the bill applies.

"Native Load" is the sum of:

a) The amount of electrical power, delivered at any time and measured in kilowatts, supplied by Hydro to NP, averaged over each consecutive period of fifteen minutes duration, commencing on the hour and ending each fifteen-minute period thereafter;
b) The total generation by NP averaged over the same fifteen-minute periods.

"Weather-Adjusted Native Load" means the Maximum Native Load adjusted to normal weather conditions, calculated as:

Maximum Native Load
plus (Weather Adjustment, rounded to 3 decimal places, x 1,000)

Weather Adjustment is further described and defined in the Weather Adjustment section.

"Weather Adjustment True-up" means one-ninth of the difference between:

a) The greater of:

- The Weather Adjusted Native Load less the Generation Credit and the Curtailable Credit (if applicable), times three; and
- The Minimum Billing Demand, times three; and

b) The sum of the actual billed demands in the Months of January, February and March of the current year.

Monthly Rates

Billing Demand Charge

Billing Demand, as set out in the Definitions section, shall be charged at the following rate:

Demand Charge……$5.00 per kW of Billing Demand

Energy Charge

January-March

First 590,000,000 kilowatt-hours*……@ 8.515¢ per kWh
All excess kilowatt-hours*……@ 9.698¢ per kWh

April-June

First 290,000,000 kilowatt-hours*……@ 8.515¢ per kWh
All excess kilowatt-hours*……@ 3.354¢ per kWh

July-September

First 130,000,000 kilowatt-hours*……@ 8.515¢ per kWh
All excess kilowatt-hours*……@ 3.354¢ per kWh

October-November

First 250,000,000 kilowatt-hours*……@ 8.515¢ per kWh
All excess kilowatt-hours*……@ 3.354¢ per kWh

December

First 250,000,000 kilowatt-hours*……@ 8.515¢ per kWh
All excess kilowatt-hours*……@ 9.698¢ per kWh

Firming-Up Charge

Secondary energy supplied by
Corner Brook Pulp and Paper Limited*……@ 2.882¢ per kWh

RSP Adjustment - Current Plan……@ 0.461¢ per kWh

Project Cost Recovery Rider……@ 1.124¢ per kWh

CDM Cost Recovery Adjustment……@ 0.017¢ per kWh

*Subject to RSP Adjustment, CDM Cost Recovery Adjustment, and Project Cost Recovery Rider

Adjustment for Losses

If the metering point is on the load side of the transformer, either owned by the customer or specifically assigned to the customer, an adjustment for losses as determined in consultation with the customer prior to January 31 of each year shall be applied to metered demand and energy.

Adjustment for Station Services and Step-Up Transformer Losses

If the metering point is not on the generator output terminals of NP's generators, an adjustment for Newfoundland Power's power consumption between the generator output terminals and the metering point as determined in consultation with the customer prior to the implementation of the metering shall be applied to the metered demand.

Weather Adjustment

This section outlines procedures and calculations related to the weather adjustment applied to NP's Maximum Native Load.

a) Weather adjustment shall be undertaken for use in determining NP's Billing Demand.

b) Weather adjustment shall be derived from Hydro's NP native peak demand model.

c) By September 30th of each year, Hydro shall provide NP with an updated weather adjustment coefficient incorporating the latest year of actuals.

d) The underlying temperature and wind speed data utilized to derive weather adjustment shall be sourced to weather station data for the St. John's, Gander, and Stephenville airports reported by Environment Canada. NP's regional energy sales shall be used to weigh regional weather data. Hydro shall consult with NP to resolve any circumstances arising from the availability of, or revisions to, weather data from Environment Canada and/or wind chill formulation.

e) The primary definition for the temperature weather variable is the average temperature for the peak demand hour and the preceding seven hours. The primary definition for the wind weather data is the average wind speed for the peak demand hour and the preceding seven hours. Hydro will consult with NP should data anomalies indicate a departure from the primary definition of underlying weather data.

f) Subject to the availability of weather data from Environment Canada, Hydro shall prepare a preliminary estimate of the Weather-Adjusted Native Load by March 15th of each year, and a final calculation of the Weather-Adjusted Native Load by April 5th of each year.

General

This rate schedule does not include the Harmonized Sales Tax (HST) that applies to electricity bills.

With respect to all matters where the customer and Hydro consult on resolution but are unable to reach a mutual agreement, the billing will be based on Hydro's best estimate.