

Office of the Consumer Advocate

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April 24, 2018

Via Courier

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2


Attention: **G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

**RE: Newfoundland and Labrador Hydro - 2017 General Rate Application
- Application by NL Hydro to approve 2018 Utility Customer Interim Rates**

Further to the above-captioned, enclosed please find enclosed the original and thirteen (13) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-291 to CA-NLH-302.

Yours truly,



Stephen Fitzgerald
Counsel for the Consumer Advocate

Encl.
/bb

cc **Newfoundland & Labrador Hydro**
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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

IN THE MATTER OF a General Rate
Application by Newfoundland and Labrador
Hydro to establish customer electricity rates
for 2018 and 2019; and

IN THE MATTER OF an Application by
Newfoundland and Labrador Hydro to approve
2018 Utility Customer Interim Rates.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NLH-291 to CA-NLH-302

Issued: April 24, 2018

- 1 CA-NLH-291 (Application, Clauses 9 and 10) In clause 9 Hydro states “*Scheduled*
2 *settlement discussions and the commencement of the hearing were delayed*
3 *as a result of the application filed by the Consumer Advocate*”. However,
4 Clause 10 states that in response to the Board’s Order No. P.U. 2(2018),
5 “*On March 22, 2018, Hydro filed additional revenue requirement and cost*
6 *of service information for the Board’s review*”. Please clarify. Was it the
7 Consumer Advocate’s application, or was it Hydro’s refusal to provide the
8 additional cost of service information requested by the Consumer Advocate
9 until directed to do so by the Board in Order No. P.U. 2(2018) that resulted
10 in the delay to settlement discussions and the commencement of the
11 hearing?
12
- 13 CA-NLH-292 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page 6,
14 lines 7 to 10, it is stated “*As a result of using the updated number of forecast*
15 *barrels, the utility customer allocation is approximately \$25.0 million less*
16 *than it would be using the 2015 Test Year barrels*”. Please explain how this
17 change in the RSP Fuel Rider would impact the amounts accumulating in
18 the proposed Off-Island Purchases Deferral Account. Please provide a
19 numerical example showing that there would be no double-counting as a
20 result of this change.
21
- 22 CA-NLH-293 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page 6,
23 lines 7 to 10, it is stated “*As a result of using the updated number of forecast*
24 *barrels, the utility customer allocation is approximately \$25.0 million less*
25 *than it would be using the 2015 Test Year barrels*”. Please explain how this
26 change in the RSP Fuel Rider would impact the amounts accumulating in
27 the Energy Supply Cost Variance Deferral Account proposed under the
28 Expected Supply Scenario in Hydro’s compliance filing. Please provide a
29 numerical example showing that there would be no double-counting as a
30 result of this change.
31
- 32 CA-NLH-294 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page 6,
33 lines 7 to 10, it is stated “*As a result of using the updated number of forecast*
34 *barrels, the utility customer allocation is approximately \$25.0 million less*
35 *than it would be using the 2015 Test Year barrels*”. Please explain if making
36 this adjustment to the RSP Fuel Rider is consistent with the Deferral
37 Account Scenario which assumes that for cost of service and revenue
38 requirement purposes the Island Interconnected System will continue to
39 operate on an isolated basis.

- 1 CA-NLH-295 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page 8,
2 lines 11 to 14, it is stated “*Based on the Additional Cost of Service*
3 *Information filed with the Board on March 22, 2018, the continuation of*
4 *2015 Test Year base rates for Newfoundland Power in 2018 is forecast to*
5 *result in a revenue deficiency of \$53.8 million under the Deferral Account*
6 *Scenario, and \$43.4 million under the Expected Supply Scenario.” What*
7 *are the corresponding figures for the 2019 test year and how would they*
8 *impact Hydro’s return on rate base in 2019?*
9
- 10 CA-NLH-296 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) Please
11 provide Tables 2 (page 11) and 3 (page 12) showing customer rate impacts
12 if the 2018 revenue deficiency (Column 6 in the tables) were recovered in
13 the two-year period beginning January 1, 2019.
14
- 15 CA-NLH-297 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) Please
16 provide Table 3 (page 12) showing customer rate impacts if the 2018
17 revenue deficiency (Column 6 in the table) were recovered in the two-year
18 period beginning January 1, 2019 and the entire \$65.4 million amount of
19 the deferred supply costs were recovered in 2019 assuming no mitigation
20 through use of the Off-Island Purchases Deferral Account.
21
- 22 CA-NLH-298 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page
23 12 lines 11 to 16 Hydro indicates that for the purposes of preparing
24 customer impacts shown in Table 3 the entire amount of the deferred supply
25 costs would be mitigated through use of the Off-Island Purchases Deferral
26 Account. Please explain why it makes sense to over-charge customers in
27 2019 to build up funds in the proposed Off-Island Purchases Deferral
28 Account and use those funds to offset deferred supply costs in the same
29 year. Would it not make more sense to just base customer rates on the
30 expected cost of supply and recovery of the deferred supply costs?
31
- 32 CA-NLH-299 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page
33 12 lines 11 to 16 Hydro indicates that for the purposes of preparing
34 customer impacts shown in Table 3 the entire amount of the deferred supply
35 costs would be mitigated through use of the Off-Island Purchases Deferral
36 Account. On page 2 of the cover letter to the Board for the 2017 GRA Hydro
37 states with regard to the Off-Island Purchases Deferral Account “*This*
38 *proposal will set aside any potential savings from off-island purchases to*
39 *mitigate future rates increases **after the full commissioning** of the Muskrat*

1 *Falls Project*” (emphasis added). Please reconcile these two statements and
 2 clarify the purpose of Hydro’s proposed Off-Island Purchases Deferral
 3 Account.

4
 5 CA-NLH-300 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) On page
 6 12 lines 11 to 16 Hydro indicates that for the purposes of preparing
 7 customer impacts shown in Table 3 the entire amount of the deferred supply
 8 costs would be mitigated through use of the Off-Island Purchases Deferral
 9 Account. How much money is forecast to accumulate in Hydro’s proposed
 10 Off-Island Purchases Deferral Account in 2018, 2019 and 2020?

11
 12 CA-NLH-301 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) Please
 13 provide a table showing the average rate and average percentage rate
 14 increase for Newfoundland Power customers based on proposals in Hydro’s
 15 2017 GRA and 2018 Interim Rates Application for the following dates:
 16 current, July 1, 2018 and January 1, 2019. Please provide this table for both
 17 the Deferral Account Scenario and the Expected Supply Scenario, and show
 18 the amount owed by Newfoundland Power customers (i.e., revenue
 19 deficiency) at the end of 2019 for each scenario.

20
 21 CA-NLH-302 (Interim Rates Application, Schedule 1 – Evidence, Revision 1) The
 22 Alberta Utilities Commission has used a test to evaluate an interim rates
 23 application in “*ENMAX Power Corporation; 2015 Interim Distribution and*
 24 *Transmission Tariff Application*” dated November 12, 2014 (see
 25 [http://www.auc.ab.ca/applications/decisions/Decisions/2014/2014-](http://www.auc.ab.ca/applications/decisions/Decisions/2014/2014-311.pdf)
 26 [311.pdf](http://www.auc.ab.ca/applications/decisions/Decisions/2014/2014-311.pdf)). The test is identified below and includes two parts. The first part
 27 of the test relates to quantum and need for the rate increase and the second
 28 part of the test relates to the general public interest. Does the interim rates
 29 component (2.8% effective July 1, 2018) of Hydro’s 2018 Interim Rates
 30 Application meet this test? Please elaborate the response for each of the
 31 Deferral Account Scenario and the Expected Supply Scenario, as
 32 applicable.

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 34 Part One

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 36 i. Is the identified revenue deficiency probable and material?
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 38 ii. Can all or some portion of any contentious items be excluded from
 39 the amount collected?

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- iii. Is the increase required to preserve the financial integrity of the applicant or to avoid financial hardship to the applicant?
 - iv. Can the applicant continue safe utility operations without the interim adjustment?

8 Part Two

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- i. Do the interim rates promote rate stability and ease rate shock?
 - ii. Do the interim adjustments help maintain intergenerational equity?
 - iii. Can interim rate increases be avoided through the use of carrying costs?
 - iv. Are the interim rate increases required to provide appropriate price signals to customers?
 - v. Is it appropriate to apply the interim rider on an across-the-board basis?

DATED at St. John's, Newfoundland and Labrador, this 24th day of April, 2018.

Per:



Dennis Browne, Q.C.

Consumer Advocate

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