



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

2019-04-25

The Honourable Siobhan Coady
Minister of Natural Resources
Provincial Office
100 Prince Philip Drive
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL A1B 4J6

Dear Minister:

RE: Rate Mitigation Options and Impacts Reference

This is to advise that the Board has considered its ongoing work for the Reference following the announcement on April 15, 2019 by Government of its Plan to Protect Residents from the Costs Impacts of Muskrat Falls (the "Plan"). As noted in the Plan the Government of Canada has committed to engage with Government to examine the financial structure of the Muskrat Falls project and to consider all options, including those identified in the Board's interim report. In light of this the Board has decided to suspend its work on the analysis of options to mitigate rates that may arise from Muskrat Falls project financing. A copy of the Issues List and Schedule for the ongoing Reference work which was distributed to the Parties as of yesterday is attached.

We understand from the Plan that it is intended that the discussions between the two levels of government will be conducted in as expeditious a manner as possible so that key policy issues are identified before the Board prepares its final report which is due January 31, 2020. We look forward to hearing from you on the outcome of these discussions so that any key policy issues identified may be considered by the Board.

Sincerely,

Darlene Whalen, P. Eng., FEC
Chair & CEO

Nalcor Energy

Gregory J. Connors, E-mail: greg.connors@mcinnescooper.com
Peter Hickman, E-mail: phickman@nalcorenergy.com
Rob Hull, E-mail: robhull@nalcorenergy.com
Jeannine Fitzgerald, E-mail: JeannineFitzgerald@nalcorenergy.com

Newfoundland and Labrador Hydro

Geoff Young, Q.C., E-mail: gyoung@nlh.nl.ca
NLH Regulatory, E-mail: Regulatory@nlh.nl.ca

Newfoundland Power Inc.

Kelly Hopkins, E-mail: khopkins@newfoundlandpower.com
Liam O'Brien, E-mail: lobrien@curtisdawe.com
NP Regulatory, E-mail: regulatory@newfoundlandpower.com

Consumer Advocate

Dennis Browne, Q.C., E-mail: dbrowne@bfma-law.com
Stephen Fitzgerald, E-mail: sfitzgerald@bfma-law.com
Bernice Bailey, E-mail: bbailey@bfma-law.com
Sarah Fitzgerald, E-mail: sarahfitzgerald@bfma-law.com

Island Industrial Customer Group

Paul Coxworthy, E-mail: pcoxworthy@stewartmckelvey.com
Denis J. Fleming, E-mail: dfleming@coxandpalmer.com
Dean A. Porter, E-mail: dporter@poolealthouse.ca
Patrick Bowman, E-mail: pbowman@intergroup.ca

Labrador Interconnected Customer Group

Senwung Luk, E-mail: sluk@oktlaw.com

Darlene Whalen, P. Eng., FEC, Chair & CEO

Tel: 709-726-0955 / Website: www.pub.nl.ca / E-mail: dwhalen@pub.nl.ca

REFERENCE - RATE MITIGATION OPTIONS AND IMPACTS MUSKRAT FALLS PROJECT

Issues List

1. Potential Cost Savings

- Alterations to Muskrat Falls Project Financing payment requirements, including sinking fund and interest payments*
- Alterations to Muskrat Falls Project Financing requirements for the project debt structure*
- Rate of return included in the project financing and contractual arrangements for Nalcor Energy and Newfoundland and Labrador Hydro*
- Rate of return for Newfoundland and Labrador Hydro established by OC2009-063
- Application of project dividends to reduce the revenue requirement
- Depreciation methodologies and amortization period used for Muskrat Falls project assets
- Organizational and operational efficiencies at Nalcor Energy and Newfoundland and Labrador Hydro, including the role of Nalcor Energy Marketing and level of regulatory oversight
- Asset transfer and/or consolidation of operating responsibilities related to generation, distribution and transmission between Newfoundland and Labrador Hydro and Newfoundland Power
- Operating and Maintenance Costs of Muskrat Falls Project

2. Revenue Opportunities

- Increased demand in the Province, including demand due to electrification including oil-heated institutions switching to electricity, increased vehicle electrification and the appropriate policies and rate design considerations required to support electrification
- Enhanced conservation demand programs to reduce capacity and energy requirements to increase available capacity and energy for electrification and exports and to delay or eliminate future supply-side capacity resource requirements
- Maximization of export sales revenue from capacity and energy available for export, including best practices.

3. Available Capacity and Energy

- Forecast Island Interconnected system load and the amount of energy and capacity from the Muskrat Falls Project required to meet that load
- Recall Power available for the Island Interconnected system
- Impact on the Island Interconnected system load of rate increases to recover Muskrat Falls Project costs
- Capacity and energy available for export and load growth
- Potential Industrial and Newfoundland Power self-supply or generation

4. Rate Impacts of Cost Savings and Revenue Opportunities

- Impact of various cost savings and revenue increases on forecast electricity rates

*Work on these issues suspended until further notice.

2019-04-24

**REFERENCE - RATE MITIGATION OPTIONS AND IMPACTS
MUSKRAT FALLS PROJECT**

SCHEDULE

February 15, 2019	Board's Interim Report
February to August 2019	Information gathering and analysis continues
March 10, 2019	Requests for Standing
March 28, 2019	First technical conference
June 3-5, 2019	Second technical conference
August 5-6, 2019	Third technical conference
September 3, 2019	Board experts' reports filed
Mid-September, 2019	Parties' expert and non-expert evidence filed
October 3, 2019	Public Hearing Begins
November 1, 2019	Written Submissions Filed
January 31, 2020	Board's Final Report

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