

**IN THE MATTER OF** the September 4, 2018 Rate Mitigation Reference by the Government of Newfoundland and Labrador to the Board of Commissioners of Public Utilities

## **SUBMISSIONS OF THE LABRADOR INTERCONNECTED GROUP**

### **Introduction**

1. The Labrador Interconnected Group (the “LIG”) represents the communities of Sheshatshiu, Happy Valley-Goose Bay, Wabush, and Labrador City. These communities are all part of the Labrador Interconnected System.
2. By letter dated September 5, 2018, the Government of Newfoundland and Labrador referred questions to the Board of Commissioners of Public Utilities (the “PUB” or “Board”) regarding rate mitigation options to mitigate the impact of the Muskrat Falls Project on electricity rate (the “Rate Mitigation Reference”).
3. The LIG applied for and was granted limited standing to participate as an intervenor in the Rate Mitigation Reference to represent the interests of Labrador Interconnected System customers where those interests diverge from the general interests of all ratepayers.

### **Integration of Newfoundland Power and Newfoundland and Labrador Hydro**

4. The LIG has been concerned that a recommendation may arise from the Rate Mitigation Reference that the relationship between Newfoundland and Labrador Hydro (“Hydro”) and Newfoundland Power (“NP”) should be restructured. One outcome of such a restructuring could be that NP becomes responsible for providing distribution service to ratepayers on the Labrador Interconnected System (“LIS”). Alternatively, if NP took over Hydro’s distribution functions on the Island, it would leave Hydro’s only distribution services to be in Labrador.

5. The LIG was concerned regarding the possible recommendation to restructure Hydro and NP's relationship because of the potential negative impacts such a reorganization would have on the customers who rely on the LIS. The LIS differs from the Island Interconnect System in important ways, and NP lacks any experience or knowledge of how the system operates and what planning decisions will be in the LIS users' best interests. No comprehensive analysis of the service impacts and challenges that a restructuring would pose has been conducted to date, and without such information any contemplation of this would be premature.
6. The issue of possible restructuring has now been explored by the parties to the Rate Mitigation Reference, and the Board has received reports and heard presentations on whether this would be advisable as a rate mitigation measure.
7. The Board's expert, Liberty Consulting Group ("Liberty"), concluded in its September 3, 2019 report that transferring distribution/retail operations from Hydro to NP would create risks and costs in terms of consolidating customer data, amongst other challenges.<sup>1</sup> Liberty came to the broad conclusion that transfers of operations and/or assets from Hydro to NP would not produce savings sufficient to justify a detailed analysis of the contemplated transfers.<sup>2</sup>
8. As Liberty's expert explained when presenting to the Board on October 3, 2019:

We saw some potential savings, but there were a lot of uncertainties, a lot of barriers, and it just did not appear that when you really cut through the numbers and look at the requirements involved, that the kinds of numbers we could generate were sufficient to warrant taking the risks and dealing with the transition issues, which were many. So ultimately we did not find merit in doing that. In a way that was surprising with respect to retail. I think going in that looked like a very, very promising opportunity,

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<sup>1</sup> Liberty Consulting Group Report dated September 3, 2019 at pp. 54-55.

<sup>2</sup> *Ibid.*, at p. 45; Presentation of Liberty Consulting Group dated September 30, 2019 at slide 31.

less so on the other areas, but even those others were worth looking at, but even with respect to retail, we just didn't see the numbers that suggested that the folks should go through, you know, the detailed effort it would take to detail the transfer, work out an operating agreement, deal with differences in labour agreements and a whole host of issues.<sup>3</sup>

9. NP's panel, which presented to the Board on October 15, 2019, agreed with Liberty's assessment.<sup>4</sup>
10. The LIG agrees that the reorganization of Hydro and NP's relationship, including possible transfer of distribution and customer service in the LIS, would be ill-advised at this time, not only because of Liberty's conclusion that such a transfer would not be advisable as a rate mitigation measure, but also because, crucially for LIS customers, no analysis has been conducted of the potential impacts such restructuring would have on ratepayers who rely on the LIS.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED.**

DATED at Toronto, Ontario, this 31<sup>st</sup> day of October, 2019.

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<sup>3</sup> Hearing Transcript, October 3, 2019 at p. 90.

<sup>4</sup> Hearing Transcript, October 15, 2019 at p. 10.