



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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2021-09-17

Ms. Shirley Walsh
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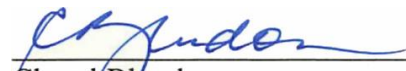
Dear Ms. Walsh:

**Re: Newfoundland and Labrador Hydro - Supply Cost Accounting Application
To NLH - 2nd Round Requests for Information**

Enclosed are Requests for Information PUB-NLH-032 to PUB-NLH-044 regarding the above-noted application.

If you have any questions or require any clarification, please do not hesitate to contact the undersigned.

Yours truly,


Cheryl Blundon
Board Secretary

CB/cj
Enclosure

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1 **IN THE MATTER OF**
2 the *Electrical Power Control Act, 1994*,
3 SNL 1994, Chapter E-5.1 (the “*EPCA*”)
4 and the *Public Utilities Act, RSNL 1990*,
5 Chapter P-47 (the “*Act*”), as amended,
6 and regulations thereunder; and
7

8 **IN THE MATTER OF** an application by
9 Newfoundland and Labrador Hydro for the
10 approval of deferral accounts to address material
11 changes in system costs as a result of the Muskrat
12 Falls Project and the phasing out of the Holyrood
13 Thermal Generating Station as a generating facility,
14 pursuant to sections 58, 71, and 80 of the *Act*.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NLH-032 to PUB-NLH-044

Issued: September 17, 2021

- 1 **PUB-NLH-032** According to Appendix A, page 2 of 7, Section A-5.0 and 10.0, Hydro is
 2 proposing to transfer the balances accumulated in the Revised Energy
 3 Supply Cost Deferral Account, the Holyrood Conversion Rate Deferral
 4 Account and the Isolated Systems Supply Cost Deferral Account to the
 5 proposed Supply Variance Cost Deferral Account on the effective date of
 6 implementation of the proposed account. Please explain if Hydro foresees
 7 any issue with maintaining the balances accumulated in these accounts
 8 before this date in their respective existing deferral accounts to be
 9 addressed in an application to be filed by Hydro on March 31, 2022 with
 10 the necessary reports relating to these balances for the Board’s
 11 determination of the disposition of these accounts.
 12
- 13 **PUB-NLH-033** According to Appendix A, page 2 of 7, Section A-5.0, Hydro is proposing
 14 to continue with the \pm \$500,000 Cost Variance Threshold in a calendar
 15 year for the Other Island Interconnected System Supply Cost Variance
 16 component. How did Hydro determine that the amount of the threshold is
 17 appropriate for this new account?
 18
- 19 **PUB-NLH-034** According to Appendix A, page 3 of 7, Hydro states “Off-island power
 20 purchase costs shall not include any expenditure related to Muskrat Falls
 21 PPA, TFA or the interim TFAs.” Please provide what power purchases
 22 would be included in off-island purchases and indicate whether or not
 23 recall power via the Labrador Island Link (“LIL”) would be included.
 24
- 25 **PUB-NLH-035** According to Appendix A, page 7 of 7, Section B - 1.2, Hydro notes that
 26 the Industrial Customer Rate Stabilization Plan (“RSP”) rate adjustments
 27 and the Utility Rate RSP rate adjustments are scheduled for January 1,
 28 2022 and July 1, 2022, respectively. However, it is also noted that “the
 29 timing of the required rate revision will depend on the implementation
 30 schedule for the rate mitigation plan.” Please confirm that Hydro will be
 31 filing applications with the Board for proposed RSP rate adjustments
 32 effective for January 1, 2022 and July 1, 2022.
 33
- 34 **PUB-NLH-036** In response to PUB-NLH-001 Hydro noted that, during the transition to
 35 full Muskrat Falls Project commissioning, they believe it would be
 36 reasonable to assume that the marginal cost of energy on the Island
 37 Interconnected system would be the market value of imports.
 38
- 39 (a) At what level of operation would the Holyrood Thermal Generating
 40 Station (“Holyrood TGS”) have to operate to be considered the
 41 marginal cost of energy verses the market value of imports,
 42 particularly if the LIL is not commissioned before the winter season?
 43 (b) How would the impact of Holyrood TGS being the marginal cost of
 44 energy instead of the market value of imports be addressed after the
 45 fact, if all proposals in this application were approved by the Board?

- 1 **PUB-NLH-037** Further to Hydro’s response to NP-NLH-008, what mode of operation (#
2 of units, minimal loadings, etc.) of the Holyrood TGS is reflected in the
3 consumption provided in this response?
4
- 5 **PUB-NLH-038** In response to PUB-NLH-007, Hydro confirmed that they are not
6 proposing to allocate 25% of the balance in the RSP Hydraulic Production
7 Variation component to the Newfoundland Power and Industrial Customer
8 RSP Current Plan balance prior to transferring the total component
9 balance to the Holyrood TGS fuel costs component of the proposed
10 Supply Cost Variance Deferral Account. Please provide the implications
11 and impact on the RSP rates if the 25% allocation was included in the RSP
12 Current Plan balances prior to transferring the balance to the proposed
13 Supply Cost Variance Deferral Account.
14
- 15 **PUB-NLH-039** Further to Hydro’s response to PUB-NLH-016.
16
- 17 (a) Is Hydro proposing that the proposed load variation component of
18 the Rural Rate Alteration (“RRA”) will commence on the effective
19 date of implementation of the proposed Supply Deferral Account or
20 does Hydro plan to recalculate the load variation component of the
21 RRA as of July 1, 2021?
22
- 23 (b) Please confirm if the Board approves the proposal of the load
24 variation component of the RRA, this component will be applied to
25 the NP RSP Current Plan balance on a monthly basis until rates are
26 determined for July 1, 2022 and then the RRA will become a
27 separate component in the proposed Supply Cost Variance Deferral
28 Account after that date, assuming that the RSP rate adjustment
29 calculated effective July 1, 2022 reflects the full recovery of the NP
30 Current Plan balance at that time.
- 31 **PUB-NLH-040** In response to PUB-NLH-017, Hydro explained that it believes it would
32 be appropriate, to the extent reasonable, to be flexible on the timing of the
33 RSP rate updates to limit the number of rate changes in 2022 so that rates
34 do not change several times in a single year for each class of customers.
35 Please indicate what other rate changes, besides the RSP rates, Hydro is
36 referring to in this response.
37
- 38 **PUB-NLH-041** In response to PUB-NLH-021, Hydro provided an example indicating that
39 a reduction in hydraulic production due to Muskrat Falls Project purchases
40 would result in No. 6 Fuel costs being charged to the RSP. However, the
41 increase in off-island purchases from the Project would create an off-
42 setting No. 6 fuel savings in the Revised Energy Supply Cost Deferral
43 Account. In response to NP-NLH-007, Hydro provided the balances of the
44 RSP and the Supply Deferral Accounts as of October 1, 2021, December
45 31, 2021 and December 31, 2022, assuming that the Board did not
46 approve any of Hydro’s proposals (“Supply Deferrals/RSP (Existing)”).

- 1 (a) Please explain why the balances in the Revised Energy Supply Cost
 2 Variance Deferral Account would have estimated balances of \$45
 3 million and \$70 million as of December 31, 2021 and December 31,
 4 2022, respectively.
- 5 (b) Please explain why there would be no balance in the Holyrood
 6 Conversion Deferral Account as of December 31, 2022.
- 7 (c) Please explain the decrease in the RSP Hydraulic Production
 8 Variation component to approximately \$20 million and \$15 million
 9 as of December 31, 2021 and December 31, 2022, respectively.
- 10 (d) Please provide the RSP Current Plan Adjustment rates and fuel rider
 11 (if any) used in estimating the balances in the Utility RSP Current
 12 Plan balance and the Industrial Customer RSP Current Plan balance
 13 as of December 31, 2022.

PUB-NLH-042

14
 15 In response to PUB-NLH-022, Hydro estimates that they have adequate
 16 borrowing capacity to make approximately five months in payments for
 17 the Muskrat Falls project without rate mitigation funding or additional
 18 revenues from customers.

- 19
 20 (a) When does Hydro anticipate having confirmation of the timing of
 21 the availability of the rate mitigation funding to assist with these
 22 monthly payments?
- 23 (b) In the absence of certainty regarding the receipt of rate mitigation
 24 funding, at what point will Hydro apply for rate relief to continue the
 25 monthly payments for the Muskrat Falls Project?
- 26 (c) Are there ongoing discussions between Hydro and the provincial
 27 government to determine what options would be available from
 28 government if the rate mitigation funding is not in place within the
 29 five-month period?
- 30 (d) If rate mitigation funding and rate relief are not in place within the
 31 five months noted by Hydro, what are Hydro's options beyond the
 32 options from government?

PUB-NLH-043


33
 34 PUB-NLH-025 inquired about the IFRS deviation deferral account.
 35 Currently, this account includes the deferral for pre-commissioning energy
 36 approved by the Board in Order No. P.U. 9(2021). Please confirm that the
 37 deferral resulting from the proposed deviation included in this application
 38 to recognize the post commissioning energy in accordance with the
 39 commercial terms of the Muskrat Falls PPA, and the TFA will also be
 40 included in this same account or will there be separate accounts for the
 41 pre-commissioning energy from the Muskrat Falls PPA, the post
 42 commissioning energy from the Muskrat Falls PPA, and the transactions
 43 related to the TFA. If all of the costs are included in one IFRS deviation
 44 deferral account, will the three components noted above be tracked
 45 separately?

- 1 **PUB-NLH-044** (a) Does Hydro intend to provide quarterly reports of the activity in the
2 proposed Supply Cost Variance Deferral Account, similar to the RSP
3 reports currently filed with the Board?
4 (b) Once the Board issues its Order on Hydro's GRA, how long will
5 Hydro require to file the application to address the long-term allocation
6 approach and disposition of the balance of the proposed Supply Cost
7 Variance Deferral Account?

DATED at St. John's, Newfoundland this 17th day of September, 2021.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per



Cheryl Blundon
Board Secretary