

November 19, 2015

Board of Commissioners of Public Utilities  
P.O. Box 21040  
120 Torbay Road  
St. John's, NL A1A 5B2

**Attention: Ms. Cheryl Blundon,  
Director of Corporate Services and Board Secretary**

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro ("Hydro") 2016 Interim Industrial Rates Application**

On October 28, 2015, Hydro filed an application for interim approval of Island Industrial Customer rates for implementation effective January 1, 2016. This letter conveys the Consumer Advocate's position on this application.

Hydro has filed numerous interim rates applications over the past two years. Recently, Hydro was granted an interim rates increase effective July 1, 2015 through a number of Board Orders as explained in the Application (paras. 2 through 8). As stated in the Consumer Advocate's submission to the Board dated February 18, 2015, the numerous interim rates applications filed by Hydro recently have involved:

*"considerable time, resources and focus of the Board and the parties. The multiple interim rates applications demonstrate the lack of consensus among the parties and Hydro on what is required in the way of evidence and supporting documentation to afford a proper review of the interim rates application. The Consumer Advocate proposes that the Board apply the interim rates test used by the Alberta Utilities Commission. The Alberta interim rates test identified below includes two parts. The first part of the test relates to quantum and need for the rate increase and the second part of the test relates to the general public interest."*

The Alberta Utilities Commission two-part interim rates test follows:

Part One

i. Is the identified revenue deficiency probable and material?

- ii. Can all or some portion of any contentious items be excluded from the amount collected?
- 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?

#### Part Two

- 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?

#### ***Review of Hydro's Application Relative to the Alberta Utilities Commission Interim Rates Test***

Hydro has failed to pass the Alberta Utilities Commission Test with its 2016 Interim Industrial Rates Application:

- 1) The identified revenue deficiency is neither probable nor material, nor is it required to preserve Hydro's financial integrity. As shown in NP-NLH-6, if the Board's Order on the Amended 2013 GRA is delayed until June 2016, Hydro's revenues would be impacted by only \$600,000. No evidence has been filed to suggest that loss of \$600,000 is required for Hydro to preserve its financial integrity;
- 2) No evidence has been filed to suggest Hydro would be unable to continue safe utility operations without the interim rate adjustment; and
- 3) The interim rates do not promote rate stability. CA-NLH-1 shows that on January 1, 2016, the Industrial Customers would be subject to an effective rate increase of 0%, while on September 1, 2016, the Industrial Customers would be subject to an effective rate increase of 15.0%. The interim rates therefore do not promote rate stability, do not ease rate shock, do not help maintain inter-generational equity, and are not needed to provide appropriate price signals.

Neither is it evident that the Application is needed to meet the requirements set out in OC2013-089, as amended, since all of the remaining rate increase would be applied on September 1, 2016 with no effective rate increase applied on January 1, 2016 (see para. 10 of the Application). The Board can ensure Industrial Customer rates reflect the full cost of supply on September 1, 2016 as required under OC2013-089, as amended, in its Order on the Amended 2013 GRA whether or not this Application is approved.

In summary, the Consumer Advocate does not believe Hydro's 2016 Interim Industrial Rates Application is justified. The Consumer Advocate therefore recommends that the Board reject Hydro's application.



Please feel free to contact the undersigned if you have any questions.

Yours very truly,

O'DEA, EARLE

THOMAS JOHNSON, Q.C.

TJ/cel

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