Submission to Public Utilities Board (PUB)
Proposed Labrador Isolated Rates

Thank you for the opportunity present this submission on behalf of the residents of Labrador who live in communities that fall within the Labrador Isolated rate class. They would include communities from Lodge Bay to Cartwright on the Labrador South Coast and Rigolet to Nain on the North Coast of Labrador. Of Labrador's 27,000 people, these communities represent less than one-third of its population.

Under the Amended General Rate Application (GRA) to the Public Utilities Board (PUB), Newfoundland and Labrador Hydro is proposing an **11.4%** increase for domestic service, **18.5%** for general service, and a **2.8%** increase for street lighting. This will result in an overall average rate increase of **16.1%** for the Labrador Isolated rate class. Of all the service classes in the rate application, this is the largest proposed increase. The only other class that comes close to this is the Island Isolated with a 13.5% average overall increase.

All domestic and non-domestic customers within the Labrador Isolated class are serviced by diesel-operated power plants in their communities. Diesel generated power, by its very nature, represents the highest rates within NL Hydro's power generation systems, resulting in very high energy bills to the customer. Despite a rebate program to help alleviate the burden of high costs to consumers in coastal Labrador communities, people in these areas still pay the highest rates in the province.

Currently, power rates in the Labrador Isolated rate class for domestic customers are as follows:

- Basic Customer Charge: ..... $15.70 per month
- Energy Charge:
    - First Block - kilowatt-hours per month ..... @ 10.573 ¢ per kWh
    - Second Block - kilowatt-hours per month ..... @ 11.993 ¢ per kWh
    - All kWh over 1000 kilowatt-hours per month .....@16.261 ¢ per kWh

For non-domestic customers;

- Basic Customer Charge: .....$18.98 per month
- Energy Charge:
    - All kilowatt-hours ..... @ 16.182 ¢ per kWh
    - Minimum Monthly Charge: Single Phase $18.98
    - Three Phase $34.81

We fully understand that diesel-generated power is a costly method of electric power generation, mainly due to the cost of fuel and on-going maintenance of the equipment. However, the recent drop in global oil prices has somewhat taken the validity out of that argument. If that argument were to hold true, then we should be seeing a proposal to reduce hydro rates rather than increase them, given where oil prices are today. When this amendment was submitted to the PUB on **November 10, 2014**, the price of Brent crude oil was **$83.01 per barrel**. Today the price has dropped to less than **$50.00 a barrel.**

There is a significant difference in the 2014 proposed increases versus the 2015 amended application, especially for Labrador customers. For customers on the Labrador Interconnected Grid, under the 2014 proposed application to the PUB, they would have seen an overall average increase of **23.3%,** with domestic customers seeing a **26.0%** increase. For customers under the Labrador Isolated system, an average overall rate increase of 13.9% was proposed. In the 2015 proposal, Labrador Interconnected Grid customers' increase has dropped to 2.1%, but Labrador Isolated customers saw a further increase to 16.1%. (See chart below)

Labrador Interconnected	**2014**	**2015**
Average overall rate impact for this system	23.3%	2.1%
Domestic	26.0%	1.9%
General Service 0-10 kW	28.5%	1.9%
General Service 10-100 kW	16.6%	1.9%
General Service 110-1,000 kVA	16.9%	1.9%
General Service Over 1,000 kVA	22.0%	1.9%
Street and Area Lighting	42.8%	17.5%
Labrador Isolated		
Average overall rate impact for this system	13.9%	16.1%
Domestic	20.4%	11.4%
General Service	11.6%	18.5%
Street and Area Lighting	(3.2%)	2.8%

The question begs to be asked. **Why is NL Hydro proposing such a dramatic drop in the Labrador Interconnected proposal from 2014 to 2015, yet proposing a further increase for Labrador Isolated customers?**

There has been no logical reason given to us for the proposed increases other than for NL Hydro to increase its return on equity from **4.47 to 8.8%.** If that is the case, then NL Hydro is targeting the people who already pay the highest rates to increase their profits. (It is also worth noting that customers within the Labrador Isolated service represent a very small percentage of NL Hydro's total customers.) This increase will come more as "rate shock" rather than an increase. An 11.4% domestic increase will result in a tremendous adjustment to peoples' financial situations, meaning that other essentials will have to be cut to keep the lights on.

Residents will also be affected by the proposed 20% increase to commercial service. Businesses that carry essential goods will no doubt pass on their extra expenses to the consumer – the same consumer who has already been saddled with an 11.4% at home. While there are a limited number of commercial businesses in these communities, they do

provide an important service to residents. We cannot allow the sustainability of those businesses to be put in jeopardy because of higher energy costs.
The aging population of our residents is also a very concerning factor. The majority of residents are on fixed incomes and simply cannot afford any increase in electricity – certainly not the high increase that is now being proposed by NL Hydro. The number of seniors in our provinces is continuing to increase. Therefore, careful consideration must be given before we burdened them with extra expenses.

In conclusion, there is no compelling argument that can justify the proposed rate increase by NL Hydro to the customers within the Labrador Isolated rate class. While other classes are seeing moderate increases, this small segment of the population is being saddled with enormous increases that will have a significant negative impact on residents. It is fair to say that an increase consistent with the rest of the province would be more acceptable to the residents.

On behalf of the residents of coastal Labrador communities, we are asking that the PUB reject NL Hydro's 2015 application for Labrador Isolated rates.

Thank you for the opportunity to present today and I look forward to your decision.

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