

1 Q. (Re: CA-NLH-281) Please identify the referenced confidentiality concerns relating to
2 Teck Resources historical sales and revenue data in light of its intention to close
3 operations in June 2015. Further, please explain why cost recovery information for
4 Teck Resources is not required for the Board's review of the reasonableness of the
5 proposed rates for 2015 when Teck Resources will have shuttered operations long
6 before 2015 rates become effective and the 2014 additional revenue requirement
7 Hydro is seeking will have to be recovered from other customers. Finally, please
8 quantify the intergenerational equity issues that have arisen owing to inaction on
9 IIC rates since the last GRA and provide an explanation of how this has/will impact
10 Teck Resources, the other IICs, NP (and its customers) and other electricity
11 consumers in the Province.

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14 A. **Revenue and Sales Data**

15 Given the customer is closing its operations in June 2015; Hydro has reassessed the
16 confidentiality concerns with respect to the usage data for Teck Resources. CA-NLH-
17 337 Attachment 1 provides the historical sales and revenue data requested.

18

19 **Cost Recovery**

20 As stated in response to CA-NLH-281, Hydro does not compute a Cost of Service for
21 a single Industrial Customer but on a class basis for the Island Industrial Customers
22 (IIC). Hydro has filed its 2015 Test Year Cost of Service Study to determine the 2015
23 Test Year revenue requirement from the IIC including Teck Resources.

24

25 **Intergenerational Equity**

26 The IC RSP Surplus (the amount of which was determined by Government directive)
27 has been utilized to provide recovery of all fuel cost variances relative to the 2007

1 Test Year for the IIC for the period January 1, 2007 to August 31, 2013. As a result,
2 Hydro recovered its total No. 6 fuel costs from IIC over this period. Had the IIC RSP
3 adjustment occurred as scheduled each January 1 beginning in 2008, the RSP
4 Surplus would not have accumulated for disposition between IIC and retail
5 customers as it would have all been provided to IIC.

6
7 The No. 6 fuel cost variances that have occurred relative to the 2007 Test Year for
8 the period September 1, 2013 to December 31, 2014 resulted in a \$6.8 million
9 current RSP balance owing from IIC. The amount owing primarily resulted from the
10 Board suspending the IIC RSP rate change that was scheduled to occur January 1,
11 2014. Approximately 17% or \$1.2 million of this balance is attributable to Teck
12 Resources. As Hydro does not maintain an RSP balance per customer, this amount
13 will be recovered from other IIC following the closure of Teck Resources unless the
14 Board approves the use of existing RSP credit balances to recover the cost.

15
16 From an intergenerational equity perspective, there are two new IIC (Vale and
17 Praxair) recently connected to the system. These customers did not pay the 2007
18 rates that contributed to the RSP Surplus nor did their load contribute materially to
19 the \$6.8 million outstanding IIC balance due from customers at December 31,
20 2014.¹

21
22 Intergenerational equity impacts on Vale and Praxair can be limited if the Board
23 approves recovery of the \$6.8 million IIC RSP balance owing at December 31, 2014
24 by: (i) applying the IIC portion of the RSP Load Variation credit balance (\$2.1 million
25 based upon an energy allocation) against the outstanding \$6.8 million balance and
26 (ii) recovering the remaining \$4.7 million outstanding from the IIC RSP Surplus. The

¹ For the period 2016 to 2017, Vale and Praxair are forecast to comprise more than 50% of the IIC load and as a result are forecast to receive greater than 50% of the RSP Surplus.

IIC portions of the segregated load variation component and the RSP surplus primarily accumulated prior to Vale and Praxair becoming customers. Using these amounts to recover the 2014 outstanding balances owed from the IIC is consistent with intergenerational equity as both amounts accumulated prior to Vale and Praxair becoming fully operational.

With respect to the customers of Newfoundland Power and the retail customers of Hydro, it is uncertain how the Board would have ruled on the sharing of the RSP Surplus between customer classes if the Government had not made its directive. Therefore, Hydro has no basis to assume any additional savings to Newfoundland Power customers than that has accumulated as a result of the Government directive. From an intergenerational equity perspective, the Newfoundland Power RSP Surplus (\$126 million at March 31, 2015) will be utilized to provide future savings to customers. However, the higher forecast fuel costs that created the savings were reflected in the base rate established for all customers in 2007.

Newfoundland and Labrador Hydro
Teck Resource Revenue and Sales

Line
No.

		Base Revenue (Firm)		RSP Adjustment		Total	kWh (Firm)
1	2006	\$	496,784	\$	56,168	\$ 552,952	12,865,674
2	2007	\$	2,811,767	\$	(1,027,272)	\$ 1,784,495	51,363,612
3	2008	\$	3,198,455	\$	(1,224,574)	\$ 1,973,882	61,228,682
4	2009	\$	3,281,672	\$	(1,291,656)	\$ 1,990,017	64,582,789
5	2010	\$	3,517,165	\$	(1,419,780)	\$ 2,097,385	70,989,004
6	2011	\$	3,583,206	\$	(1,433,905)	\$ 2,149,301	71,695,229
7	2012	\$	3,591,982	\$	(1,438,679)	\$ 2,153,302	71,933,968
8	2013	\$	3,595,594	\$	(1,219,570)	\$ 2,376,025	72,032,247
9	2014	\$	3,451,805	\$	(756,821)	\$ 2,694,985	68,120,685
10	2015 TY	\$	1,507,064	\$	(276,282)	\$ 1,230,782	20,400,000
	Total	\$	29,035,495	\$	(10,032,370)	\$ 17,772,343	