
NLH 2014 Second Interim Rates Application
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1 **Q. In the Prefiled Evidence of Douglas Bowman on behalf of the Consumer**
2 **Advocate (September 30, 2009), in Hydro's 2009 Application for approval of**
3 **RSP components of the rates to be charged to Industrial Customers, Mr.**
4 **Bowman stated the following at page 14:**

5 **In the interests of meeting the long-standing rate design objectives in this**
6 **Province, I recommend that the Board order disbursement of the net load**
7 **variation balance in the RSP consistent with the Hydro's response to CA-NLH-**
8 **23. Specifically, I recommend the following: The net load variation component of**
9 **the RSP be disbursed on January 1, 2010 between Newfoundland Power and the**
10 **Industrials Customers on the basis of customer energy ratios as recommended**
11 **by Hydro in its response to PUB-NLH-15 (and reiterated in responses to PUB-**
12 **NLH-13, PUB-NLH-14, PUB-NLH-25 (Rev 1 July 31-09) and PUB-NLH-26 (Rev**
13 **1 July 31-09).**

14 **Please advise if the Consumer Advocate takes any different position from that**
15 **stated by Mr. Douglas Bowman above, in relation to the RSP Load Variation**
16 **balance which has accumulated since September 1, 2013.**

17 **A.** Mr. Doug Bowman continues to believe that for the years 2008 through
18 September 2013, allocation of the load variation component of the RSP on the
19 basis of load ratio share was a better match with rate design objectives and a
20 better reflection of the costs that customers imposed on the system. If this
21 approach had been followed, the \$37.6 million subsidy conveyed to the Industrial
22 Customers (see CA-NLH-12 of the RSP Application) as a result of the Orders in
23 Council and PUB Order No. P.U. 26 (2013) would have been avoided, and as
24 stated in IC-CA-1 of the 2013 GRA, the Industrial Customers would not be facing
25 a **rate increase** of 73.1% while NP faces a **rate decrease** of 4.8%. The ICs have
26 been paying extraordinarily low rates subsidized by other customers on the
27 system.

28 Mr. Doug Bowman points out that Hydro is not seeking approval in the Second
29 Interim Rates Application of the methodology for allocation of balances that have
30 built up in the load variation component of the RSP since September 2013. On
31 June 6, 2014, Hydro advised that it will be filing an amended GRA in the fall.
32 Once Hydro files the amended GRA and updated evidence is on the record, Mr.
33 Doug Bowman will take a position on allocation of the balances that have built up
34 in the load variation component of the RSP since September 2013.

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1 Mr. Doug Bowman acknowledges the ICC expert opinion (Expert Report, page
2 37, lines 20 to 27): “*with the major underlying changes occurring over the next*
3 *few years to industrial loads (including the ramping up of some customers and the*
4 *ramping down of others), as well as island incremental costs and the proposed*
5 *system changes (including the interconnection to the Labrador infeed, it is not an*
6 *advisable time to adopt the type of rate design proposed in the 2008 Final Report*
7 *(or other alternative rate designs based on marginal costs, two block rates, or the*
8 *incremental value of Holyrood fuel). This is because attempting to adopt the rate*
9 *design concepts from 2008 would (a) exacerbate rate pressures on customers at a*
10 *time when they are already experiencing extraordinary rate shock, and (b) be*
11 *obsolete by the time of the Labrador infeed*”. Mr. Doug Bowman notes that the
12 RSP design in its present form will also be obsolete by the time of the Labrador
13 infeed and its design is based on the cost of Holyrood fuel.
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