

1 Q. **Reference: Application**

2 a) In a competitive environment do businesses respond to their operating environment
3 and economic conditions or do they disregard these negatives with a continued
4 expectation that customers will not make any adjustments themselves to these
5 negatives?

6 b) Is it the role of the Board and the regulatory process to ensure that the Province's
7 electric utilities respond appropriately to the existing current economic situation in the
8 province, or do the utilities also bear some of this responsibility?

9 c) Does Hydro believe that regulation should act as a surrogate for competition when
10 determining a reasonable return for itself, but not with respect to the resulting costs
11 imposed on its customers?

12 d) Could ignoring the poor Provincial economy and its impact on customers be considered
13 a form of market power abuse and predatory pricing, or is Hydro of the opinion that this
14 falls under the responsibility of the Board, so if the Board approves Hydro's cost
15 proposals it has in fact decided that the economic impacts on customers have been
16 adequately addressed? Does Hydro believe that the Board must consider impacts of the
17 economy on competitive companies and their ability to extract higher prices from
18 customers and replicate these impacts in its decisions?

19 e) Are Hydro and Newfoundland Power subject to the same legislation in the Province? If
20 Hydro believes legislation treats the two utilities differently, please identify the
21 differences.

22 f) Does Hydro believe that it has a corporate responsibility to take into consideration the
23 economic impacts of the poor Provincial economy on customers? Does Hydro believe
24 that this is part of its mandate? If so, and Newfoundland Power believes it has no such
25 obligation, does Hydro believe the Board has an obligation to rule against
26 Newfoundland Power's proposals on the basis that it is not meeting its mandate?

- 1 A. a) Newfoundland and Labrador Hydro (“Hydro”) presumes that a business operating in a
2 competitive environment would respond to their operating environment and economic
3 conditions in making business decisions; however, Hydro cannot definitively provide an
4 opinion on this point.
- 5 b) Please refer to Hydro’s response to CA-NLH-009 of this proceeding. As acknowledged in
6 both Hydro’s 2022 Capital Budget Application and its overview presentation, Hydro
7 recognizes its role in investing responsibly in the province’s electrical system and being
8 cognizant of its operating environment and the rate pressures anticipated. Hydro continues
9 to take concerted efforts to manage costs on behalf of customers.
- 10 c) Please refer to Hydro’s response to CA-NLH-009 of this proceeding.
- 11 d) Please refer to Hydro’s response to CA-NLH-009 of this proceeding, as well as its response to
12 part b) of this response. At all times the directives contained in the *Public Utilities Act* (“Act”)
13 and the *Electrical Power Control Act, 1994* (“EPCA”) govern the actions and decisions of the
14 utilities and the Board of Commissioners of Public Utilities (“Board”).
- 15 e) The *Act* and the *EPCA* generally apply to both Hydro and Newfoundland Power Inc.
16 (“Newfoundland Power”), except where the legislation is specific to one utility.¹ Hydro is
17 also governed by the *Hydro Corporation Act* which does not apply to Newfoundland Power.
- 18 f) Hydro’s legislated mandate is to deliver power at the lowest possible cost consistent with
19 reliable service. Please refer to part b) of this response. As noted in part e) of this response,
20 Newfoundland Power has the obligation to provide service to customers consistent with the
21 provisions of the *Act* and the *EPCA*. The Board must determine if Newfoundland Power’s
22 proposals meet these requirements.

¹ For example, the *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s 14.1(1) applies solely to Hydro.