

1 Q. **Reference: Application, Replace Diesel Shop Building (2023–2025) – Bishop’s Falls, page 4**

2 It is stated “In light of the current rate pressure in the province and anticipated major projects,
3 Hydro has endeavoured to reduce its capital expenditures and, as such, decided to defer the
4 proposed building replacement for one year.”

5 a) Why did Hydro take into consideration current rate pressures in the province? Is this a
6 requirement under current legislation, or is Hydro simply being a good corporate citizen? Is
7 being a good corporate citizen consistent with current legislation?

8 b) In Hydro’s opinion, does the Board have the authority to take into consideration the current
9 economic climate in the province in its decisions and orders?

10 c) Does Hydro believe that it has a corporate responsibility to take into consideration the
11 economic impacts of electricity rates on customers during poor economic conditions in the
12 province?

13 d) Does Hydro believe that doing so is part of its mandate?

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16 A. a) The *Electrical Power Control Act, 1994*, requires Newfoundland and Labrador Hydro
17 (“Hydro”) to manage and operate its production, transmission, and distribution facilities in a
18 manner that results in power being delivered to consumers at the lowest possible cost
19 consistent with reliable service.¹ Additionally, section 80 of the *Public Utilities Act*² allows a
20 utility to earn a “just and reasonable” return as determined by the Board of Commissioners
21 of Public Utilities (“Board”). Justice Green of the Newfoundland and Labrador Court of
22 Appeal noted that

23 This statutory entitlement of the utility to earn a “just and reasonable” return is
24 the linguistic touchstone for the balancing exercise. This phrase emphasizes the
25 fairness aspect, both to the utility, in earning sufficient revenues to make its
26 continued investment worthwhile and to maintain its credit rating in financial

¹ *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s. 3(b)(iii).

² *Public Utilities Act*, RSNL 1990, c P-47, s. 80.

1 markets, and to the consumer, in obtaining adequate service at reasonable
2 rates. It also emphasizes the need for a tempering of each interest group's
3 economic imperative by consideration of the interests of the other.³

4 Hydro does consider customer impact when making capital investment decisions and strives
5 to achieve the appropriate balance between cost and reliability. Hydro believes this is
6 consistent with legislation noted above, and with the power policy of the province, to
7 provide service at the lowest possible cost consistent with reliable service and at reasonable
8 rates as set out in the *Electrical Power Control Act, 1994*.

9 **b)** Please refer to part a) of Hydro's response to CA-NLH-033 of this proceeding with respect to
10 the Board's authority to determine whether the return earned by the utility is "just and
11 reasonable". Additionally, the Board is required, by section 4 of the *Electrical Power Control*
12 *Act, 1994*, to ". . . implement the power policy declared in Section 3, and in doing so shall
13 apply tests which are consistent with generally accepted sound public utility practice."

14 **c)** Please refer to part a) of Hydro's response to CA-NLH-033 of this proceeding.

15 **d)** Please refer to part b) of Hydro's response to CA-NLH-021 and part a) of Hydro's response to
16 CA-NLH-033 of this proceeding.

³ Section 101 of the *Public Utilities Act (Newfoundland) (Re)*, 1998 CanLII 18064 (NL CA), para. 23.