

Office of the Consumer Advocate

PO Box 23135
Terrace on the Square
St. John's, NL Canada
A1B 4J9

Tel: 709-724-3800
Fax: 709-754-3800

October 3, 2024

Via Email

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Jo Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: NL Hydro – Application for Adjustment to Wholesale Utility Rate
– Requests for Information CA-NLH-001 to CA-NLH-005

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NLH-001 to CA-NLH-005.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,



Dennis Browne, KC
Consumer Advocate

Encl.
/bb

cc **Newfoundland Power Inc.**
Dominic J. Foley (dfoley@newfoundlandpower.com)
Lindsay S.A. Hollett (lhollett@newfoundlandpower.com)
NP Regulatory (regulatory@newfoundlandpower.com)

Newfoundland & Labrador Hydro
Shirley Walsh (ShirleyWalsh@nlh.nl.ca)
NLH Regulatory (nlhregulatory@nlh.nl.ca)
Daniel Simmons, KC (daniel.simmons@mcinnescooper.com)

Board of Commissioners of Public Utilities
Jacqui Glynn (jglynn@pub.nl.ca)
Maureen Greene, KC (mgreene@pub.nl.ca)
Katie Philpott (kphilpott@pub.nl.ca)
Board General (board@pub.nl.ca)

Island Industrial Customers Group
Paul Coxworthy (pcoxworthy@stewartmckelvey.com)
Dean Porter (dporter@poolealthouse.ca)
Denis Fleming (dfleming@coxandpalmer.com)

Labrador Interconnected Group
Senwung Luk (sluk@oktlaw.com)
Nick Kennedy (nkennedy@oktlaw.com)

Iron Ore Company of Canada
Gregory A.C. Moores (gmoores@stewartmckelvey.com)

Teck Resources Limited
Shawn Kinsella (shawn.kinsella@teck.com)

Linde Canada Inc.
Sheryl Nisenbaum (sheryl.nisenbaum@praxair.com)
Peter.Strong@Linde.com

IN THE MATTER OF Electrical Power Control Act, 1994, Chapter E-5.1 (“EPCA”) and the *Public Utilities Act*, RSNL 1990, Chapter P-47 (“Act”), and regulations thereunder; and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to Subsection 70(1) of the Act for the approval of an update to the wholesale utility rate charged to Newfoundland Power Inc. (“Newfoundland Power”), effective January 1, 2025.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NLH-001 to CA-NLH-005**

Issued: October 3, 2024


- 1 CA-NLH-001 (Reference Schedule 1)
- 2 a) Does the proposed wholesale rate move NP from the current situation
- 3 where it under-collects revenues when demand is greater than forecast in
- 4 the 2019 Test Year leading to a July 1 rate increase for NP retail customers,
- 5 to a situation where NP over-collects revenues when demand is greater
- 6 than forecast in the 2019 Test Year leading to a July 1 rate decrease for NP
- 7 retail customers (ignoring other components of the July 1 rate adjustment)?
- 8 b) More specifically, does NP currently pay about 18 cents/kWh for power
- 9 purchases above the 2019 Test Year forecast while collecting about 14
- 10 cents/kWh in revenues from its Domestic customer class for a net loss of
- 11 about 4 cents/kWh, whereas under the proposed wholesale rate, NP will
- 12 pay about 5.5 cents/kWh for power purchases above the 2019 Test Year
- 13 forecast while collecting about 14 cents/kWh from its Domestic customer
- 14 class for a net gain of about 8.5 cents/kWh?
- 15 c) Since the absolute value of the difference between the wholesale rate and
- 16 the Domestic rate would be larger, wouldn't that create the potential for
- 17 greater volatility?
- 18
- 19 CA-NLH-002 (Reference Schedule 1) It is stated (page 12) *“Although the proposed changes*
- 20 *in this application will not have any impact on customer rates on January 1,*
- 21 *2025, updating the marginal cost of energy to reflect the value of exports will*
- 22 *reduce the power purchase cost to Newfoundland Power for energy purchased*
- 23 *in excess of 2019 Test Year quantities, reducing the additional costs to be*
- 24 *recovered through Newfoundland Power’s July 1 customer rate applications.*
- 25 *The reduction in the marginal cost of energy and therefore the second block*
- 26 *rate will create a benefit for customers through a reduction in the potential*
- 27 *volatility associated with the July 1 customer rate change.”*
- 28 a) Will the change in the wholesale rate proposed for January 1, 2025 not
- 29 result in a change to NP’s retail rates on January 1, 2025 because NP
- 30 proposes to delay re-basing retail rates until July 1, 2025?
- 31 b) Please confirm that the analyses in the Application assume that NP will not
- 32 adjust the tail-block energy charges in its retail customer rates to reflect
- 33 marginal costs.
- 34 c) Is rate volatility reduced because NP is forecasting power purchases that
- 35 are above the forecast included in the 2019 Test Year, so under the
- 36 proposed wholesale rate, NP will be subject to reduced power purchase
- 37 costs on purchases above the 2019 Test Year forecast while revenues from
- 38 increased sales to its retail customers would remain the same whether or
- 39 not the wholesale rate is changed?
- 40 d) Would rate volatility associated with the July 1 adjustments for the most
- 41 part be eliminated if NP had tail-block energy charges in its retail customer
- 42 rates that were set equal to the wholesale second-block rate?

- 1 CA-NLH-003 (Reference Schedule 1) It is stated (page 12) “*Based on Newfoundland Power’s forecast of power purchases from Hydro for 2025, pending approval of the proposals in this application and an effective date of January 1, 2025, Hydro’s billed revenue and Newfoundland Power’s power purchase expense are estimated to be approximately \$11.8 million less in 2025 and \$6.8 million less in 2026, as shown in Table 9. These calculations are estimates, based on the load forecast provided by Newfoundland Power; therefore, actual results may differ.*”
- 2
3
4
5
6
7
8
- 9 a) Please provide a table comparing: 1) 2019 Test Year sales to NP, 2)
10 Hydro’s current forecast of sales to NP in 2025 and 2026, and 3) NP’s
11 forecast of power purchases from Hydro in 2025 and 2026.
- 12 b) How would the SCVDA be impacted by the reductions in NP’s power
13 purchase expenses in 2025 and 2026 under the proposed wholesale rate?
- 14 c) If NP’s power purchase quantities are the same as that included in the 2019
15 Test Year, would NP’s power purchase expense be the same under the new
16 wholesale rate as under the current wholesale rate?
- 17 d) For 2025 and 2026, please provide a comparison of NP’s power purchase
18 expense and revenues from sales to its retail customers based on the 2019
19 Test Year forecast, NP’s current load forecast, a 1% increase in retail sales
20 relative to NP’s current load forecast and a 1% reduction in retail sales
21 relative to NP’s load forecast.
22
- 23 CA-NLH-004 (Reference Schedule 1) It is stated (page 13) “*Updates to the price can also*
24 *reduce the potential for large variances in deferral accounts, helping to*
25 *mitigate customer rate volatility.*” Will variances in deferral accounts always
26 exist if tail-block energy charges in NP’s retail rates are not adjusted to equal
27 the tail-block energy charge in the wholesale rate?
28
- 29 CA-NLH-005 (Reference Schedule 1, Attachment 1) It is stated (page 1) “*The overarching*
30 *objective of the proposed change in Hydro’s Utility tariff for NP is resource*
31 *efficiency: set marginal prices which better adhere to the underlying worth of*
32 *resources employed in the provision of G&T services, on the margin.*”
- 33 a) Isn’t the overarching objective of the proposed change in the Utility tariff
34 for NP to reduce volatility of July 1 rate adjustments?
- 35 b) To achieve economic efficiency, is it not essential that the price faced by
36 electricity end-users be equal to marginal cost?
- 37 c) What changes in NP’s volume and timing of electricity purchases from
38 Hydro are expected as a result of the proposed change in the wholesale
39 rate?
- 40 d) Does Hydro anticipate that the proposed change in the wholesale rate
41 would affect how NP manages its hydro plants?
- 42 e) Does Hydro anticipate that the proposed change in the wholesale rate
43 would affect NP’s behaviour in any way?

1
2
3
4

- f) Would efficiency be improved if Hydro adjusted rates to island industrial customers to better reflect marginal costs?
- g) Would efficiency be improved if NP were to update its retail rates to better reflect the proposed wholesale rate?

DATED at St. John's, Newfoundland and Labrador, this 3rd day of October, 2024.

Per: 
Dennis Browne, KC
Consumer Advocate
Terrace on the Square, Level 2, P.O. Box 23135
St. John's, Newfoundland & Labrador A1B 4J9
Telephone: (709) 724-3800
Telecopier: (709) 754-3800
Email: dbrowne@bfma-law.com