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October 3, 2024

Paul L. Coxworthy  
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**Via Electronic Mail**

Newfoundland and Labrador Board of  
Commissioners of Public Utilities  
120 Torbay Road  
P.O. Box 21040  
St. John's, NL A1A 5B2

**Attention: Ms. Jo-Anne Galarneau, Executive Director and Board Secretary**

Dear Ms. Galarneau:

**Re: Hydro Application for Adjustment to Wholesale Utility Rate for Newfoundland Power**

Enclosed please find the Island Industrial Customers Group Requests for information IC-NLH-001 to 018 dated October 3, 2024 in relation to the above noted Application.

We trust this is in order.

Yours truly,

Stewart McKelvey

Paul L. Coxworthy

PLC/tas

Enclosures

ecc. Board of Commissioners of Public Utilities  
Jo-Anne Galameau  
Jacqui Glynn  
Katie R. Philpott  
Maureen Greene, KC  
PUB Official Email  
Newfoundland and Labrador Hydro  
Shirley Walsh  
NLH Regulatory  
Daniel Simmons, KC

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Board of the Commissioners  
of Public Utilities  
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Newfoundland Power

Dominic Foley

Lindsay Hollett

NP Regulatory

Consumer Advocate

Dennis Browne, K.C., Brown Fitzgerald Morgan & Avis

Stephen F. Fitzgerald, Brown Fitzgerald Morgan & Avis

Sarah G. Fitzgerald, Brown Fitzgerald Morgan & Avis

Bernice Bailey, Brown Fitzgerald Morgan & Avis

Labrador Interconnected Group

Senwung Luk, Olthuis Kleer Townshend LLP

Nicholas E. Kennedy, Olthuis Kleer Townshend LLP

Iron Ore Company of Canada

Gregory A.C. Moores, Stewart McKelvey

Linde Canada Inc.

Sheryl E. Nisenbaum

Peter Strong

Tech Resources Limited

Shawna Kinsella

**IN THE MATTER OF** the *Electrical Power Control Act*, RSNL 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 changed to Newfoundland Power Inc. ("Newfoundland Power"), effective January 1, 2025.

**REQUESTS FOR INFORMATION OF THE  
ISLAND INDUSTRIAL CUSTOMERS GROUP**

IIC-NLH-001 – IIC-NLH-018

ISSUED OCTOBER 3, 2024

- IIC-NLH-001 Presuming Hydro will be filing a General Rate Application (GRA) in 2025, please indicate the reason the proposed rate adjustment cannot be implemented as an interim rate following that filing (i.e. rather than assume a delay until full GRA review occurs and is finalized).
- IIC-NLH-002 Please provide all forecast values of Newfoundland Power purchases, including energy and demand, by month for the period from January 1, 2025 until 2027 which is cited as the projected end date of the next Hydro GRA.
- IIC-NLH-003 Further to IIC-NLH-002, please provide a calculation of the wholesale amounts paid by Newfoundland Power each month under both the existing approach and the proposed approach for this period. Please also show the impact on the January 1 and July 1 Newfoundland Power customer rate changes between the following three scenarios for all of 2025 and 2026, indicating the "reduction in potential volatility" cited in the Hydro Application, paragraph 12 – (a) the existing wholesale rate design without wholesale rate "rebasing" per the NP GRA, (b) the existing approach with wholesale rate rebasing, and (c) the NLH proposed revision to the wholesale rate with rebasing.

- IIC-NLH-004 Further to IIC-NLH-002 and IIC-NLH-003, please provide a projection of the Supply Cost Variance Deferral Account (SCVDA) for this same period reflect each scenario (retain existing rate versus revised wholesale rate).
- IIC-NLH-005 Per Schedule 1, page 3, please provide a copy of Newfoundland Power's flow-through rate revision arising from this change, if approved.
- IIC-NLH-006 Per Schedule 1, page 4, please provide a table showing a full summary of each CA Energy Consulting marginal cost estimate prepared for Hydro (e.g., 2015 report, 2018 report, 2021 Update, etc.) for each of the marginal cost of Island Interconnected Energy, Demand, and blended Energy/Demand, including any estimates prepared of seasonal, off-peak, on-peak, shoulder period or other period.
- IIC-NLH-007 Please confirm that the marginal cost of energy based on export opportunity sales only reflects the short-term marginal cost of supplying the power, and does not include either short-term or long-term capacity-related impacts.
- IIC-NLH-008 Schedule 1, page 7. Please provide evidence that the "existing demand charge of \$5.00 per kW per month was agreed upon amongst the parties and approved by the Board in the 2017 GRA, considering marginal capacity cost and the increase in embedded demand costs." In providing the response, please specifically note whether or where parties indicated they considered marginal and embedded demand costs.
- IIC-NLH-009 Please provide the marginal and embedded demand costs estimated in the 2017 GRA.
- IIC-NLH-010 Given the length of time and change in system conditions since it was set, please indicate why establishing the new rate to be revenue neutral to the 2019 Test Year revenue requirement is appropriate. Please specifically address the downside that would arise if instead the new rate were developed to be revenue neutral at the 2025 forecast wholesale loads.
- IIC-NLH-011 Please indicate why Hydro did not consider including in the winter marginal price signal an adder for the marginal cost of capacity, particularly in light of the imminent and costly investments needed to increase winter peak capacity output as discussed in the concurrent RRAS process.
- IIC-NLH-012 Please provide a redesign of the proposed wholesale rate under the following two assumptions:
- a. The rate was designed as proposed, except that the winter second block energy price included the marginal cost of blended energy/capacity

(Schedule 1, Attachment 1, Table 7), and other aspects of the rate were rebalanced to be revenue neutral at 2019 test year loads.

- b. The same as (a) except that the rate was designed to be revenue neutral at 2025 forecast loads.
- c. The rate was designed as proposed, except that the demand charge was raised to collect 100% of the marginal annual cost of capacity, and other aspects of the rate were rebalanced to be revenue neutral at 2019 test year loads.
- d. The same as (c) except that the rate was designed to be revenue neutral at 2025 forecast loads.
- e. Please provide a detailed discussion of the implications for Hydro, Newfoundland Power, the SCVDA balance, and Newfoundland Power customers of adopting each of the above proposals as an alternative to the rate proposed in the Hydro application.

**IIC-NLH-013** Per Schedule 1, section 2.5, please confirm that Newfoundland Power customers will face lower rates as of July 1, 2025 under the Hydro proposal than would be the case if the existing rates were retained. If no, please explain why. If yes, please explain how this lowered rate revenue from Newfoundland Power customers will not ultimately lead to a change in the rates paid by other customers including the Island Industrial Customers, all else being equal (e.g., through lowered credits to the SCVDA, etc.)

**IIC-NLH-014** If the effect of the revision is that Hydro will see no new revenue (e.g., net income) from the rate revision, and Newfoundland Power customers will face lower overall costs (per Schedule 1, Table 9), please confirm that this means, all else being equal, July 1, 2025 rates for Newfoundland Power customers will be lower with the Hydro proposal than they would have been without the proposal. If confirmed, please discuss how this accords with the discussion in Schedule 1, Section 2.7, that the Rate Mitigation Plan will achieve precisely 2.25% in annual increases. Is it accurate that under both the existing rate (were it retained) and the proposal rate (if adopted) Newfoundland Power customers will see 2.25% in rate changes at July 1, 2025?

**IIC-NLH-015** At Schedule 1, Attachment 1, page 1, CA Energy indicates that the proposed rate will ensure "electricity consumers will be more fully informed of resource cost – indeed, avoided cost – and this better able to balance the net benefits of consumption decisions, conservation, and renewable choice options, compared to the underlying resource cost of electricity".

Please confirm that the "underlying cost of electricity" includes both demand and energy components.

Is it CA Energy's contention that reducing the winter peak period price signal at a time when high levels of investment in peak generating capacity is becoming

required allows customers to "better balance" the net benefits of consumption decisions, conservation, etc.? Please explain the answer.

- IIC-NLH-016 At Schedule 1, Attachment 1, page 10, CA Energy indicates that the fact that NP's monthly load factors (the ratio of capacity to energy) are relatively consistent month-to-month, this means "going forward Hydro can depend on Tier 2 prices to accurately capture the marginal cost to serve..." If the Tier 2 prices are solely linked to the marginal cost of opportunity energy, and not to the embedded or marginal cost imposed on Hydro's own asset investment, why does the load factor matter? Is the Tier 2 rate inclusive of the marginal cost of capacity for Hydro's system or not?
- IIC-NLH-017 Per Schedule 1, Attachment 1, page 11, CA Energy indicates they "encourage Hydro and Newfoundland Power to consider setting demand charges at significantly higher levels in the near future..." Please confirm the basis for this recommendation is to improve peak load price signals (if not, please explain why not, and the basis of the recommendation if not price signals). Please discuss the alternative in the near-term of setting the Tier 2 winter energy rate at the blended energy price shown in in Table 7 to directionally replicate the price signal for increased use of power during acute or peak winter load periods.
- IIC-NLH-018 If the proposed rate adjustment is approved, will Hydro consider that there is less urgency or less need for the filing of its next GRA as early as possible? What other needed changes would dictate or heavily favour the need for the next GRA to be filed in 2025?

**DATED** at St. John's, in the Province of Newfoundland and Labrador, this 3<sup>rd</sup> day of October, 2024.

**POOLE ALTHOUSE**

Per: Paul L. Coxworthy  
For Dean A. Porter

**COX & PALMER**

Per: Paul L. Coxworthy  
For Denis J. Fleming

**STEWART MCKELVEY**

Per: Paul L. Coxworthy  
Paul L. Coxworthy

- TO: The Board of Commissioners of Public Utilities  
Attention: Ms. Jo-Anne Galarneau, Executive Director and Board Secretary, Ms. Jacqui Glynn, Katie R. Philpott, Maureen Greene, KC, PUB Official Email
- TO: Newfoundland & Labrador Hydro  
Attention: Shirley Walsh, Daniel Simmons, KC, NLH Regulatory
- TO: Newfoundland Power  
Attention: Mr. Dominic J. Foley, Ms. Lindsay Hollett, NP Regulatory
- TO: Consumer Advocate  
Attention: Dennis M. Browne K.C., Mr. Stephen F. Fitzgerald, Ms. Sarah G. Fitzgerald, Ms. Bernice Bailey
- TO: Labrador Interconnected Group  
Attention: Senwung F. Luk, Nicholas E. Kennedy
- TO: Iron Ore Company of Canada  
Attention: Gregory A.C. Moores
- TO: Linde Canada Inc.  
Attention: Sheryl E. Nisenbaum, Peter Strong
- TO: Teck Resources Limited  
Shawna Kinsella