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April 4, 2025

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

Attention: Jo-Anne Galarneau  
Executive Director and Board Secretary

**Re: Application for Approval of the Disposition of Balances within the Hydraulic Resources Optimization Deferral Account – Hydro's Reply**

On March 3, 2025, Newfoundland and Labrador Hydro ("Hydro") filed an application for approval of the Disposition of the Balance of the Hydraulic Resources Optimization Deferral Account ("HRO Deferral Account") as of December 31, 2023. Hydro provided its responses to Requests for Information ("RFI") filed by the Board of Commissioners of Public Utilities ("Board") and Newfoundland Power Inc. ("Newfoundland Power") on March 24, 2025. On March 27, 2025, the original date set by the Board for submissions from the intervenors to the application, Newfoundland Power filed its comments in which they requested that the Board consider directing Hydro to transfer a credit balance amount they note as being owed to Newfoundland Power, to Newfoundland Power via a one-time bill credit against their Rate Stabilization Account ("RSA"). The Island Industrial Customer Group ("IIC Group") requested an extension to the deadline for party comments to allow them to further review the application and Newfoundland Power's submission. The Board granted an extension to make submissions to Monday, March 31, 2025. The IIC Group commented specifically on Newfoundland Power's submission, and disagreed with Newfoundland Power's requested transfer of its estimated allocation of the 2018–2023 HRO Deferral Account balances with the remainder of those balances transferred to the Net Revenue from Exports component of the Supply Cost Variance Deferral Account ("SCVDA").

**Newfoundland Power Inc.**

The credit balance amount of \$27.9 million, as stated by Newfoundland Power, is associated in part with the HRO Deferral Account that is the subject of this application, but is mostly comprised of the balance Newfoundland Power states as owing from the Rural Rate Alteration balance in the SCVDA. Proposals regarding the Rural Rate Alteration were not made in Hydro's application, nor considered as part of the review of this proceeding. This credit balance exists as the rules for allocating the remaining balances in the SCVDA to the applicable customers have not been proposed by Hydro or approved by the Board. Newfoundland Power's requested credit balance transfer is meant to offset a substantial supply cost balance in Newfoundland Power's RSA that Newfoundland Power will need to collect from its customers beginning on July 1, 2025.

Hydro would like to clarify that additional supply costs charged to Newfoundland Power by Hydro are in relation to requests for power in excess of Newfoundland Power's load forecast. The cost is comprised of Newfoundland Power's payment for power provided in 2023 and 2024 by Hydro. In these years, Newfoundland Power requested more power from Hydro than Newfoundland Power had estimated in

their load forecast, which resulted in Newfoundland Power incurring higher supply costs than Newfoundland Power had forecast.

As Hydro noted in its response to Newfoundland Power's RFI, NP-NLH-002, there are a number of deferred balances to be recovered from customers for which application for allocation and recovery has not yet been made. Hydro anticipates that a high percentage of those costs would be allocated to Newfoundland Power, although the annual impact would depend on the amortization period approved by the Board. However, it is likely that Newfoundland Power's allocation of these balances could more than offset the current credit balance in the HRO Deferral Account. Hydro's view is that it is not appropriate, and at the very least premature, to transfer the credit balance to Newfoundland Power at this time.

### **Island Industrial Customer Group**

The IIC Group noted that it would be harmful to inter-customer class and intergenerational fairness and equity to approve Newfoundland Power's requested transfer, while either leaving the balance related to other customers in the HRO Deferral Account or transferring that remainder to the SCVDA. The IIC Group argue that it would only be fair for the IIC Group to receive a similar benefit of the credit balances. They request that their concerns can only be addressed by also providing the IIC Group with a one-time bill credit representing their estimated allocation of the 2018–2023 HRO Deferral Account balance.

However, the IIC Group does note that the rules of disposition have not yet been established and it is plausible that those rules may differ from Hydro's current estimated customer class allocation of the 2018–2023 HRO Deferral Account balance.

As noted above, there are a number of deferred balances to be recovered from customers for which application for allocation and recovery has not yet been made; some of these balances will impact the current credit balance for the IIC Group, although the annual impact would depend on the amortization period approved by the Board. As with Newfoundland Power, Hydro's view is that it is not appropriate, and at the very least premature, to transfer the credit balance to the IIC Group at this time.

Hydro's present application is specifically for the disposition of the balance of the HRO Deferral Account. Hydro believes that it is appropriate at this time to transfer the balance to the SCVDA given other balances owed from customers, as discussed above, as well as the limits to rate increases to both Newfoundland Power and the IIC Group as a result of the Rate Mitigation Plan. There is no proposal, and therefore no evidence or process, surrounding the balance of the various components of the SCVDA and its disposition. Hydro believes that those issues are best addressed in a future application regarding the allocation and disposition of the SCVDA after the next general rate application.

Hydro submits that in light of the evidence provided in this proceeding, as well as the foregoing reply to Newfoundland Power's and the IIC Group's submissions, Hydro's application for the transfer of a credit of \$5,711,673 from the HRO Deferral Account to the Net Revenue from Exports component within the SCVDA be approved.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**



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Ecc:

**Board of Commissioners of Public Utilities**

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