

1 **Q. Reference: NLH-NP-055**

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3 **Further to Newfoundland Power’s response to NLH-NP-055, Attachment C, the**
4 **powerconnection document of July 2021 states:**

5
6 **Newfoundland and Labrador Hydro Increased Electricity Rates Effective**
7 **July 1, 2021.**

8
9 **Effective July 1, 2021, there was an overall average increase in electricity**
10 **rates to our customers from Newfoundland and Labrador Hydro (Hydro) of**
11 **approximately 2.5%, or about \$2.50 on a \$100 monthly electricity bill. This**
12 **rate increase is the net result of of a 4.6% increase by Hydro and a 2.1%**
13 **decrease related to the annual operation of Newfoundland Power's Rate**
14 **Stabilization Account. This rate increase is not related to our operations and**
15 **has no financial benefit for Newfoundland Power.**

- 16
17 a) **Please confirm the rate increase from Newfoundland and Labrador Hydro**
18 **(“Hydro”) in the Utility Rate to Newfoundland Power was a result of the**
19 **annual operation of the Rate Stabilization Plan (“RSP”) which primarily**
20 **exists to enable the recovery of fuel cost variability between test years.**
- 21
22 b) **Does Newfoundland Power consider the increase from Hydro to be related to**
23 **the operations of Hydro and/or to provide financial benefits to Hydro? If yes,**
24 **please explain why.**
- 25
26 c) **Please outline how Newfoundland Power explained to its customers that the**
27 **main cost driver of the rate increase was related to an increase in fuel costs**
28 **and the annual operation of the RSP?**
- 29
30 d) **Please confirm that Newfoundland Power did not make operational changes**
31 **to contribute to the 2.1% reduction in the “4.6% increase by Hydro”.**
- 32
33 e) **Please confirm the Rate Stabilization Account (“RSA”) enables**
34 **Newfoundland Power to recover variances in pension costs, variances in**
35 **billing demand costs from Hydro, variances in billings to Newfoundland**
36 **Power as a result of energy purchase variances from Hydro and earnings**
37 **variances as a result of variances in Newfoundland Power's hydro inflows.**

38
39 **A. a) It is Newfoundland Power’s understanding that the increase in the wholesale rate**
40 **on July 1, 2021 was due to the operation of Hydro’s Energy Supply Cost Deferral**
41 **Account in 2020. For example, Hydro estimated that recovery of its 2020**
42 **deferred supply costs would result in an estimated 8.1% increase in customer rates**

1 on July 1, 2021.¹ According to Hydro, the increase was primarily due to
2 increased fuel costs resulting from lower deliveries over the Labrador-Island Link
3 (“LIL”) in 2020 than that anticipated by Hydro in its 2019 test year forecast.²
4

5 b) No, Newfoundland Power does not consider, nor did it state in its July 2021
6 Power Connection Newsletter, the July 1, 2021 wholesale rate increase to be a
7 financial benefit to Hydro beyond the recovery of its 2020 deferred supply costs.
8

9 c) The purpose of the July 2021 Power Connection Newsletter was to advise
10 Newfoundland Power’s customers of the July 1, 2021 rate increase, including the
11 amount of the increase by rate class.
12

13 The increase in the wholesale rate on July 1, 2021 was a result of the operation of
14 Hydro’s various supply cost mechanisms and appears to have ultimately been
15 driven by the unavailability of the LIL in 2020. In the Company’s view, Hydro is
16 best positioned to explain to customers the drivers of its impact on the July 1 rate
17 change.
18

19 d) It is confirmed.

20
21 e) It is confirmed.

¹ See Table 2 in Hydro’s response to Request for Information PUB-NLH-001 as part of Hydro’s *Application for the Recovery of Deferred 2020 Supply Costs*, dated March 31, 2021.

² See Hydro’s *Application for the Recovery of Deferred 2020 Supply Costs*, Schedule 1, page 10, lines 4-7.