

Office of the Consumer Advocate

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June 26, 2024

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-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power's July 1, 2024 Customer Rates Application
- Submission of the Consumer Advocate

On June 12, 2024 Newfoundland Power Inc. ("Newfoundland Power") submitted to the Public Utilities Board (the "Board") its Application for July 1, 2024 Customer Rates (the "Application"). The Application seeks Board approval of (cover letter to Application):

- (i) *The rate stabilization and municipal tax adjustments to be applied to customer electricity rates for the period July 1, 2024 to June 30, 2025; and*
- (ii) *A schedule of customer electricity rates for Newfoundland Power Inc. ("Newfoundland Power" or the "Company") to be effective as of July 1, 2024 (the "Application").*

Newfoundland Power indicates in its cover letter to the Application that the proposed rates are determined in accordance with the Rate Stabilization Clause whose purpose is to "ensure variations in Newfoundland Power's purchased power costs from the amount reflected in base customer rates are recovered in a timely manner." The proposed rates also incorporate NL Hydro's proposed increase in the wholesale electricity rate it charges Newfoundland Power, effective July 1, 2024. The cover letter to the Application indicates that the "average increase to customer bills resulting from the proposed rate stabilization and municipal tax adjustments is approximately 9.3%," but the impact on customer bills will vary by customer.

On June 20, 2024 the Board established a schedule requesting that the parties file comments by June 26, 2024. This submission documents the comments of the Consumer Advocate.

The Consumer Advocate does not take issue with the calculation of the proposed rate increase that has been confirmed by Grant Thornton.¹ However, there is a broader issue at play, namely, rate shock.

In addition to the 9.3% increase in customer rates on July 1, 2024 resulting from this Application, Newfoundland Power is seeking an additional 1.5% increase in customer rates on that date through its 2024 Rate of Return on Rate Base Application, which awaits a Board decision. Through its current GRA, Newfoundland Power is requesting a further increase in customers rates of 5.5% on July 1, 2025 and at the same time there will be an approximate 2.3% increase as a result of the provincial rate mitigation plan.² The Consumer Advocate's submission on the 2024 Rate of Return on Rate Base Application argues that the proposed 1.5% increase in customer rates is not justified and there should be no increase resulting from that application. As well, the Consumer Advocate is currently engaged in the GRA process and opposes the 5.5% proposed increase. Still, the overall increase in rates from July 1, 2024 to July 1, 2025 are sizeable.

We note that in the June 14, 2024 transcript relating to Newfoundland Power's 2025-2026 GRA (page 53), Ms. Greene asks Mr. Murray *"And if we added all of those up, we would get over 20 percent increase, and if we add on the 2.25 to come from Hydro next year on July 1, 2025 arising from rate mitigation, we're almost up to a 23 percent increase in rates for customers between where we are now and July 1, 2025. Is that correct?"* Mr. Murray responded, *"Those numbers sound correct, yes."* In the same transcript (page 55) Ms. Greene asks Mr. Murray *If he is aware that "in the past, the Board has considered a 10 percent increase for customers as a rate shock? Anything above 10 percent would be considered a potential rate shock?"* Mr. Murray responded that he is.

In NLH-NP-001a, Newfoundland Power indicates that it *"has been actively working towards potential solutions to smooth customer rates. These efforts are focused on smoothing customer rates between 2025 and 2026."* The response goes on to say that there are three primary factors that inhibited Newfoundland Power's ability to consider rate smoothing options in this Application including: 1) the current wholesale rate, 2) increased power supply costs in 2023, and 3) the need to maintain its creditworthiness. Later in NLH-NP-001a Newfoundland Power notes that a revised wholesale rate expected to be implemented on January 1, 2025 will *"provide certainty that RSA balances will decline by March 31, 2026, resulting in a rate decrease on July 1, 2026 associated with the RSA (in the range of 4% to 5%, estimated as 4.5% in Table 2 in part b)). This provides an opportunity to smooth customer rates by shifting some of the anticipated July 1, 2025 customer rate increase to the July 1, 2026 timeframe."* It is our request that the Board take all measures necessary to ensure smooth customer rates in these circumstances. The Board can instruct counsel to meet with the parties accordingly.

¹ Grant Thornton June 19, 2024 submission to the Board entitled Newfoundland Power Inc. – 2024 Proposed Changes to Customer Rates.

² Through the provincial government's Order in Council OC2024-062, Newfoundland and Labrador Hydro will increase its wholesale rates so as to cause a 2.25% increase in the domestic customer rate charged by Newfoundland Power with similar increases for other customers.

Such a Board instruction would be consistent with the provincial government's rate mitigation plan which attempted to cap domestic residential rates relating to cost recovery for the Muskrat Falls Project.

Ratepayers would reasonably expect that all necessary steps be undertaken to ensure rate mitigation efforts put forwarded by the Government are not frustrated when other avenues may very well be available to smooth the proposed rate increases as referenced above.

We look forward to hearing from you in relation to the above.

Yours truly,



Dennis Browne, KC
Consumer Advocate

Encl.

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cc **Newfoundland Power Inc.**
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