

June 28, 2019

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

Attention: Ms. Cheryl Blundon  
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:

**Re: Rate Stabilization Plan Refund Final Report**

Please find enclosed one original and eight copies of Newfoundland and Labrador Hydro's ("Hydro") Rate Stabilization Plan ("RSP") Refund Final Report.

In September 2016, the Board of Commissioners of Public Utilities issued Order Nos. P.U. 35(2016) and P.U. 36(2016) approving the refund of the RSP surplus to customers. In Order No. P.U. 36(2016), the Board ordered Hydro to file a final report on its Customer Refund Plan. Hydro has completed all attainable refunds, as outlined in the attached report, and now considers the refund process complete.

Should you have any questions, please contact the undersigned.

Yours truly,

**NEWFOUNDLAND & LABRADOR HYDRO**



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Shirley A. Walsh  
Senior Legal Counsel, Regulatory  
SAW/sk

Encl.

cc: Gerard M. Hayes, Newfoundland Power  
Paul L. Coxworthy, Stewart McKelvey  
ecc: Dean A. Porter, Poole Althouse  
Senwung Luk, Olthuis Kleer Townshend LLP

Dennis Browne, Q.C., Browne Fitzgerald Morgan & Avis  
Denis J. Fleming, Cox & Palmer  
Gregory Moores, Stewart McKelvey





# Rate Stabilization Plan Refund Final Report

**June 28, 2019**

A report to the Board of Commissioners of Public Utilities





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## 1.0 Introduction

In September 2016, the Board of Commissioners of Public Utilities (the “Board”) issued Orders No. P.U. 35(2016) and P.U. 36(2016) approving the refund of the Rate Stabilization Plan (“RSP”) Surplus to customers. The refund balance of \$138.4 million<sup>1</sup> was segregated to the Utility RSP Surplus account for allocation to Newfoundland and Labrador Hydro (“Hydro”) and Newfoundland Power customers at \$9.4 million and \$129 million, respectively. The estimated administrative costs to refund the money were \$3.2 million;<sup>2</sup> to date, approximately \$2.3 million in costs have been incurred to facilitate the refunds.<sup>3</sup>

A combined \$131.8 million (\$122.6 million<sup>4</sup> to Newfoundland Power customers and \$9.2 million to Hydro customers) has been refunded to customers as of May 31, 2019. This represents 95% of the total Utility RSP Surplus.

The remaining \$6.6 million (\$6.4 million<sup>5</sup> from Newfoundland Power and \$0.2 million from Hydro) is unable to be refunded due primarily to inactive accounts<sup>6</sup> and will be transferred to Newfoundland Power’s RSP Current Plan (“Current Plan”) and effective March 31, 2019. In addition, \$3.4 million in accrued interest on the remaining \$6.6 million will be transferred to the Current Plan, for a total transfer amount of \$10.0 million. Hydro now considers the Utility RSP Surplus refund complete.

## 2.0 Background

Orders in Council<sup>7</sup> issued in 2013 directed that approximately \$138.4 million<sup>8</sup> be refunded to both Newfoundland Power and Hydro customers as a result of a surplus balance that had accrued in Hydro’s RSP. The surplus balance resulted from a reduction in the load of certain industrial customers on the Island Interconnected System between January 2007 and August 2013.

<sup>1</sup> All funds referenced in this report exclude HST, with the exception of those in sec. 3.1.2 of this report.

<sup>2</sup> \$2.5 million for Newfoundland Power as per Newfoundland Power, “RSP Refund Progress Report,” June 2018, at p. 9, fn. 18 and \$0.7 million for Hydro as per Table 1, at p.5 of this report.

<sup>3</sup> \$1.7 million for Newfoundland Power as reported in Newfoundland Power’s “Quarterly Regulatory Report for the Period Ended March 31, 2019,” May 14, 2019, app. I, p. 1 and \$0.6 million for Hydro as per Table 1, p.5 of this report.

<sup>4</sup> \$122.8 million as reported in Newfoundland Power’s “Quarterly Regulatory Report for the Period Ended March 31, 2019,” May 14, 2019, app. I, adjusted for two credit memos to Hydro for \$0.2 million from uncashed cheques.

<sup>5</sup> \$6.2 million as reported in Newfoundland Power’s “Quarterly Regulatory Report for the Period Ended March 31, 2019,” May 14, 2019, app. I, adjusted for two credit memos to Hydro for \$0.2 million from uncashed cheques.

<sup>6</sup> The majority of refunds are less than \$200 per customer for Hydro customers.

<sup>7</sup> OC2013-089, OC2013-091, OC2013-2017, and OC2013-208.

<sup>8</sup> \$129 million for Newfoundland Power customers and \$9.4 million for Hydro customers.

1 Through the issuance of the Orders in Council, the Board was directed to determine the details of the  
2 RSP refund. The Board expressed an expectation for Hydro, Newfoundland Power, and the Consumer  
3 Advocate to work jointly to determine a reasonable approach for administering customer refunds.<sup>9</sup>  
4 Hydro made application to the Board on July 12, 2016 for approval of the Hydro Customer Refund  
5 Plan,<sup>10</sup> to administer customer refunds. The Board approved this plan in September 2016.<sup>11</sup>  
6

7 The Hydro Customer Refund Plan provided for the following, among other aspects:  
8

- 9 • Calculation and payment of refunds to eligible customers;
- 10 • Communication with customers regarding the refund process;
- 11 • Recovery of Hydro’s reasonable costs of administering refunds; and
- 12 • Close-out of the Hydro Customer Refund Plan approximately 24 months after Board approval.

13 This report details the execution of the Hydro Customer Refund Plan.

## 14 **3.0 Plan Administration**

### 15 **3.1 Plan Refunds**

#### 16 **3.1.1 Newfoundland Power**

17 As Hydro’s largest customer, Newfoundland Power received the largest portion of the RSP refund.  
18 Newfoundland Power administered its own refund process with advancement of funds from Hydro.  
19 Prior to each refund period, Newfoundland Power provided Hydro with a listing of upcoming debit  
20 requirements and Hydro then advanced these funds to Newfoundland Power for disbursement to its  
21 customers.  
22

23 Newfoundland Power’s administrative costs were billed quarterly to Hydro for payment.

#### 24 **3.1.2 Newfoundland and Labrador Hydro**

25 The initial step in the Hydro Customer Refund Plan began with the calculation of refund amounts for  
26 eligible customers. Eligible customers were those who paid electricity rates between January 1, 2007  
27 and August 31, 2013 (the “refund period”). Over this 80-month period, Hydro served some 24,600

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<sup>9</sup> Order No. P.U. 9 (2014).

<sup>10</sup> Agreed upon by Newfoundland Power, Hydro, and the Consumer Advocate.

<sup>11</sup> Board Order Nos. P.U. 35(2016) and P.U. 36(2016).



1 customers. Many of these customers had multiple service accounts (approximately 29,000 individual  
2 accounts).

3  
4 The Hydro Rural Customer refund was calculated as per the Newfoundland Power Customer Refund  
5 Plan.<sup>12,13</sup> The Basic Refund Amount for each customer was based on the customer’s kilowatt hour  
6 (“kWh”) energy consumption for the refund period multiplied by a kWh refund rate.

7  
8 The refund rate is the estimated balance in the Utility RSP Surplus minus the estimated administration  
9 costs divided by the total energy usage (in kWh) billed to Newfoundland Power and Hydro customers on  
10 the Island Interconnected System for the refund period.

11  
12 Chart 1 provides a categorized breakdown of the refund amounts owing to customers at the Hydro  
13 Customer Refund Plan outset.

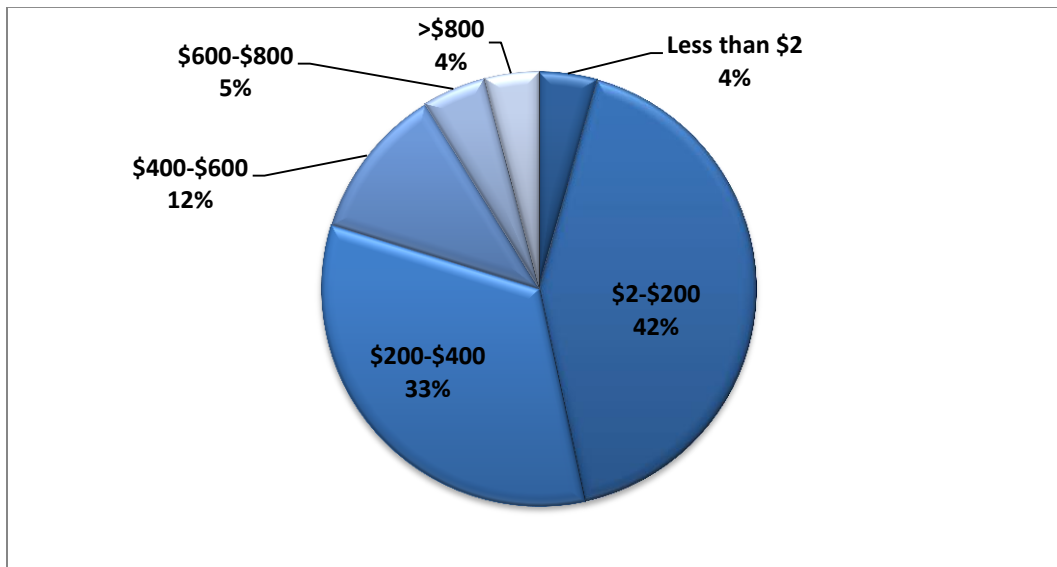


Chart 1: Customer Refund Amounts at Plan Outset

14 Customer refund amounts were highly variable, ranging from less than \$2 to over \$181,000. This  
15 variability reflected a combination of differences in customer usage and varying periods of customer  
16 eligibility. The majority of customer refunds (75%) were less than \$400.

<sup>12</sup> Board Order No. P.U. 35(2016), Schedule A, at p. 8, Schedule 1.

<sup>13</sup> Board Order No. P.U.36(2016), Schedule A, Section 2.2 (a), at p. 5.

1 The Hydro Customer Refund Plan outlined that refunds would first be issued to active customers, after  
2 which efforts would shift to reaching inactive customers.

### 3 **Round 1**

4 The first round of customer refunds was issued on February 9, 2017. Approximately \$7.1 million (\$1.8  
5 million applied on account and \$5.3 million by cheque) was refunded to approximately 15,800  
6 customers. This represented approximately 77% of the total RSP refund amount.

### 7 **Rounds 2 to 12**

8 Following the initial distribution of refunds, efforts shifted to contacting the remaining customers who,  
9 at that point, had not contacted Hydro. This required extensive efforts with Hydro completing 11  
10 additional rounds of refunds, between March 2017 and December 2018. Approximately \$2.1 million was  
11 refunded to approximately 17,800 Hydro customers during this period.<sup>14</sup>

12

13 A summary of each round is provided in Appendix A.

## 14 **3.2 Plan Administration**

15 Hydro has incurred costs incremental to its normal operating costs in administering the Hydro Customer  
16 Refund Plan. These one-time costs primarily consisted of costs related to information technology  
17 modifications, cheque processing, advertising, and customer service staff requirements to assist in  
18 administering the refund.

19

20 The recovery of Hydro's incremental costs was completed through quarterly billings to the Utility RSP  
21 Surplus. This was consistent with the understanding that Hydro should neither benefit nor incur a loss  
22 from the administration of refunds to customers.<sup>15</sup>

23

24 Table 1 provides Hydro's costs of administering the Hydro Customer Refund Plan from October 1, 2016  
25 to April 30, 2019.

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<sup>14</sup> This includes cheques reissued due to name, address, and account changes.

<sup>15</sup> Board Order No. P.U. 36(2016).

Table 1: Hydro's Administrative Costs (\$)

Category	Budget	Actual	Variance
Customer Service Costs	268,000	272,738	(4,738)
Banking <sup>16</sup>	135,000	28,909	106,091
Advertising <sup>17</sup>	8,000	0	8,000
Information Technology Modifications	67,000	128,092	(61,092)
Miscellaneous <sup>18</sup>	184,000	168,640	15,360
<b>Subtotal</b>	<b>662,000</b>	<b>598,380</b>	<b>63,620</b>
Board Related Costs	20,000	10,555	9,445
Board Audit Fees <sup>19</sup>	30,000	0	30,000
<b>Total</b>	<b>712,000</b>	<b>608,935</b>	<b>103,065</b>

1 Hydro incurred \$0.6 million to administer the Hydro Customer Refund Plan excluding recoveries. This  
 2 represents approximately 86% of the total administration costs estimated for the delivery of the Hydro  
 3 Customer Refund Plan from beginning to end.

### 4 3.3 Newfoundland Power

5 Newfoundland Power was responsible for the disbursement of approximately \$129 million to its current  
 6 and former customers.

7  
 8 During the period from February 2017 to October 2018, Newfoundland Power completed 10 refund  
 9 rounds totalling \$122.8 million. In its first quarterly report to the Board in 2019,<sup>20</sup> Newfoundland Power  
 10 reported that approximately 95% of its RSP refund balance had been distributed to customers. Hydro  
 11 received two credit notes from Newfoundland Power totalling \$0.2 million from uncashed cheques of  
 12 Newfoundland Power Customers. The net refund for Newfoundland Power customers is \$122.6 million  
 13 as of May 16, 2019.

<sup>16</sup> Amount includes banking fees and cheque production, as well as financing costs associated with HST refunds (not included in the RSP to be financed by Hydro).

<sup>17</sup> RSP costs only. Joint costs are noted in Newfoundland Power's application. Allocation of those costs between utilities is to be determined.

<sup>18</sup> Including incremental costs incurred to date, tax related research, and professional services fees (project management/legal).

<sup>19</sup> Newfoundland Power and Hydro may be audited on the RSP Refund process.

<sup>20</sup> "Quarterly Regulatory Report for the Period Ended March 31, 2019," Newfoundland Power, May 14, 2019.

1 As of March 31, 2019, approximately \$6.4 million remained in the Utility RSP Surplus. Newfoundland  
 2 Power noted that 61% of its remaining amounts relating to 54,000 former customers were less than  
 3 \$100.

4  
 5 Newfoundland Power stopped receiving customer refund requests in September 2018 and completed its  
 6 last cheque run in October 2018.

7  
 8 Similar to Hydro, Newfoundland Power refunded the majority of its refunds (86%) during the first round  
 9 of refunds. Nine more refund periods were completed through to October 2018.

10 **4.0 Customer Communications**

11 Delivery of the Hydro Customer Refund Plan required a large scale communications effort. Hydro  
 12 engaged in a number of joint activities with Newfoundland Power to communicate RSP refund details to  
 13 customers; these included news releases and local and national advertising campaigns. Hydro also  
 14 posted information to its website and social media channels using the joint branding and messaging  
 15 developed with Newfoundland Power.

16  
 17 Table 2 provides a summary of the Hydro Customer Refund Plan customer contacts.

**Table 2: Customer Contact Summary**

Communications Channel	Number of Contacts
Website Hits	16,113
Customer Calls (Representative)	6,397
Emails	7,882
<b>Total</b>	<b>30,392</b>

18 **5.0 Assessment of Remaining Funds**

19 All remaining funds not returned to customers (\$6.4 million from Newfoundland Power and \$0.2 million  
 20 from Hydro), as well as \$3.4 million in accrued interest will be transferred to the Current Plan and  
 21 effective as of March 31, 2019.

## 6.0 Plan Conclusion

The approved Hydro Customer Refund Plan indicated that closeout would occur approximately 24 months after Board approval and would be based on an assessment of remaining funds and the cost of continued outreach.

Hydro estimated the costs incurred to administer customer refunds to be approximately \$21 per refund. Hydro continued efforts through to the last refund period to reach eligible customers using low-cost initiatives that achieved broad reach, such as social media, as well as direct contact. This approach, which helped minimize administration costs, was reasonable given the low value of the majority of remaining refunds.

Consistent with the Hydro Customer Refund Plan, Hydro concluded refund activities in December 2018 and all remaining balances will be transferred to the Current Plan and effective as of March 31, 2019.

Hydro considers this to be its final report on the Hydro Customer Refund Plan



# Appendix A

## Hydro Customer Refund Plan Details





**Table A-1: Hydro Customer Refund Plan Details**

	Applied to Account	Cheque	Total	HST	RER <sup>22</sup>	Refunded After HST
Pay 1	1,827,048	5,269,377	7,096,425			
Pay 2	104,343	481,192	585,535			
Pay 3	280	7,215	7,495			
Pay 4	110,887	190,133	301,020			
Pay 5	2,731	20,349	23,080			
Pay 6	9,513	268,338	277,852			
Pay 7	72	3,987	4,059			
Pay 8	81	39,532	39,613			
Pay 9	35	25,252	25,287			
Pay 10	569	419,212	419,781			
Pay 11	549	37,485	38,034			
Pay 12	6,468	944	7,412			
<b>Subtotal</b>	<b>2,062,576</b>	<b>6,763,016</b>	<b>8,825,592</b>			
Adjustment <sup>23</sup>	1,284,109	(72,497)	1,211,611			
<b>Net Amount</b>	<b>3,346,685</b>	<b>6,690,518</b>	<b>10,037,203</b>			
Applied to Account			220,122			
<b>Total GL Transaction</b>			<b>10,257,325</b>	<b>1,188,077</b>	<b>126,769</b>	<b>9,196,017</b>
Remaining			231,218	20,682	1,653	<b>212,189</b>
<b>Total</b>			<b>10,488,543</b>	<b>1,208,759</b>	<b>128,422</b>	<b>9,408,205</b>

<sup>21</sup> Residential Energy Rebate (“RER”).

<sup>22</sup> Adjustments include stale dated cheques.