

**NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

AN ORDER OF THE BOARD

NO. P.U. 24(2017)

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1
3 (the “*EPCA*”) and the *Public Utilities Act*, RSNL
4 1990, Chapter P-47 (the “*Act*”), as amended, and
5 regulations thereunder; and
6

7 **IN THE MATTER OF** a general rate
8 application filed by Newfoundland and
9 Labrador Hydro on July 30, 2013; and
10

11 **IN THE MATTER OF** an amended general
12 rate application filed by Newfoundland and
13 Labrador Hydro on November 10, 2014; and
14

15 **IN THE MATTER OF** Order No. P.U. 49(2016)
16 arising from the amended general rate
17 application; and
18

19 **IN THE MATTER OF** an application filed
20 by Newfoundland and Labrador Hydro on
21 January 27, 2017 setting out revised proposals
22 to reflect Order No. P.U. 49(2016); and
23

24 **IN THE MATTER OF** Order
25 Nos. P.U. 14(2017) and P.U. 16(2017); and
26

27 **IN THE MATTER OF** the revised
28 general rate application proposals related
29 to the Industrial Customer Rate Stabilization Plan.
30

31
32 **WHEREAS** Newfoundland and Labrador Hydro (“Hydro”) is a corporation continued and
33 existing under the *Hydro Corporation Act, 2007*, is a public utility within the meaning of the *Act*,
34 and is also subject to the provisions of the *EPCA*; and

1 **WHEREAS** in Order No. P.U. 49(2016) the Board set out its findings and determinations in
2 relation to the general rate application filed by Hydro on July 30, 2013, and amended on November
3 10, 2014; and

4
5 **WHEREAS** on January 27, 2017 Hydro filed an application setting out revised proposals based
6 on the findings and determinations of the Board in Order No. P.U. 49(2016) (the “Compliance
7 Application”); and

8
9 **WHEREAS** the Compliance Application was circulated to: Newfoundland Power Inc.
10 (“Newfoundland Power”); the Consumer Advocate, Dennis Browne, Q.C.; a group of Island
11 Industrial customers: Corner Brook Pulp and Paper Limited (“CBPPL”) and NARL Refining
12 Limited Partnership (“NARL”) (the “Industrial Customer Group”); Teck Resources Limited
13 (“Teck”); Vale Newfoundland and Labrador Limited (“Vale”); the Innu Nation; the Towns of
14 Labrador City, Wabush, Happy Valley-Goose Bay and North West River; Nunatsiavut
15 Government; and Yvonne Jones, MP Labrador.

16
17 **WHEREAS** in addition to the information filed with the Compliance Application, Hydro filed
18 further information throughout this process in response to requests for information from the Board
19 and the parties: and

20
21 **WHEREAS** on April 21, 2017 Hydro advised that, as a result of its proposals, rates for Island
22 Industrial customers would increase on July 1, 2017 by an average of 16.6%, with individual
23 Industrial customer rate impacts of 12.2% to 38.0%; and

24
25 **WHEREAS** on April, 21, 2017 the Board advised that the issues related to the Industrial Customer
26 Rate Stabilization Plan (“RSP”) would be addressed separately from the other issues in the
27 Compliance Application in a subsequent order of the Board; and

28
29 **WHEREAS** on April 25, 2017 the Industrial Customer Group filed comments for the
30 consideration of the Board in relation to the updated RSP fuel price projection; and

31
32 **WHEREAS** on April 26, 2017 Hydro filed reply comments; and

33
34 **WHEREAS** in Order No. P.U. 14(2017) the Board set out its findings in relation to the
35 Compliance Application, noting that the issues related to the Industrial Customer RSP would be
36 addressed separately and further setting out that issues related to the RSP rate adjustment for
37 Newfoundland Power would also be addressed separately in a subsequent order of the Board; and

38
39 **WHEREAS** in Order No. P.U. 16(2017) the Board addressed the issues related to the RSP rate
40 adjustment for Newfoundland Power and ordered Hydro to transfer the Newfoundland Power RSP
41 Load Variation balance to the Newfoundland Power RSP Current Plan to mitigate the proposed
42 July 1, 2017 RSP adjustment rate increase; and

43
44 **WHEREAS** on May 15, 2017 CBPPL and NARL filed a joint proposal relating to the recovery of
45 revenue deficiencies from the Industrial Customer RSP Load Variation balance (the “Joint
46 Revenue Deficiency Proposal”); and

1 **WHEREAS** the Joint Revenue Deficiency Proposal provided that NARL would receive a one-
2 time payment of \$0.174 million from the Industrial Customer RSP Load Variation balance and
3 Hydro would, in accordance with the Compliance Application, transfer approximately \$1.6 million
4 from the Industrial Customer RSP Load Variation balance to eliminate the cumulative revenue
5 deficiency for the period 2014 to 2017 for Island Industrial customers; and
6

7 **WHEREAS** on May 16, 2017 Vale advised that it supported the Joint Revenue Deficiency
8 Proposal; and
9

10 **WHEREAS** on May 16, 2017 Hydro advised on that it did not object to the Joint Revenue
11 Deficiency Proposal and that it considered the proposal to be a reasonable balance when
12 considering the options to provide recovery of the revenue deficiencies; and
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14 **WHEREAS** the Board provided direct notice of the Joint Revenue Deficiency Proposal to Teck
15 and Praxair Canada Inc. and did not receive comments from these parties; and
16

17 **WHEREAS** on May 17, 2017 the Consumer Advocate advised that he had no further comments
18 in relation to the recovery of revenue deficiencies from the Industrial Customer RSP Load
19 Variation balance; and
20

21 **WHEREAS** on May 17, 2017 the Industrial Customer Group filed a further submission proposing
22 rate mitigation of the expected increase in Island Industrial customer rates on July 1, 2017; and
23

24 **WHEREAS** the Industrial Customer Group submitted that the impact of the rate increases for
25 Industrial customers should be mitigated in the same manner as ordered by the Board in relation
26 to Newfoundland Power rates in Order No. P.U. 16(2017); and
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28 **WHEREAS** on May 17, 2017 Vale advised that it was consulted on and supported the rate
29 mitigation proposed by the Industrial Customer Group and
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31 **WHEREAS** on May 23, 2017 Hydro advised that it did not object to rate mitigation for Industrial
32 customers on the same basis as ordered in Order No. P.U. 16(2017) but explained that the scenario
33 proposed by the Industrial Customer Group appeared to contemplate a reduction in the fuel rider
34 which would provide for different annualized customer impacts than the approach implemented
35 for Newfoundland Power; and
36

37 **WHEREAS** Hydro calculated that the impact of applying the same approach to mitigating the
38 Industrial customer rate increases as was approved for Newfoundland Power rates would result in
39 an average rate increase of 10.5% for Island Industrial customers, as compared to an average
40 increase without any rate mitigation of 16.8%; and
41

42 **WHEREAS** on May 24, 2017 the Board advised that final comments in relation to the Industrial
43 Customer RSP issues were due on May 30, 2017; and
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45 **WHEREAS** on May 30, 2017 the Industrial Customer Group advised that they had no further
46 comments; and

1 **WHEREAS** on May 31, 2017 Hydro advised that it had no further comments; and

2
3 **WHEREAS** no objection was filed to the Joint Revenue Deficiency Proposal filed by the
4 Industrial Customer Group on May 15, 2017 and the Board accepts that this proposal is reasonable
5 in the circumstances; and

6
7 **WHEREAS** the Board will approve the proposed transfer from the Industrial Customer RSP Load
8 Variation balance of the necessary funds to eliminate the cumulative revenue deficiency for the
9 period 2014 to 2017 for Island Industrial customers as well as the proposed payment of \$0.174
10 million to NARL from the Industrial Customer RSP Load Variation balance; and

11
12 **WHEREAS** no objection was filed to the mitigation of the proposed rate increases for Industrial
13 customers and the Board believes that mitigation of these increases in the same way as was
14 approved in Order No. P.U. 16(2017) for Newfoundland Power is reasonable in the circumstances;
15 and

16
17 **WHEREAS** the Board will approve the transfer of the remaining funds from the Industrial
18 Customer RSP Load Variation balance to the Industrial Customer RSP Current Plan to provide for
19 a rate mitigation adjustment in addition to the normal Industrial Customer Current Plan RSP
20 recovery adjustment.

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22
23 **IT IS THEREFORE ORDERED THAT:**

- 24
25 1. Hydro shall transfer the necessary funds from the Industrial Customer RSP Load Variation
26 balance to eliminate the cumulative revenue deficiency for the period 2014 to 2017 for Island
27 Industrial customers.
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29 2. Hydro will make a one-time payment of \$0.174 million from the Industrial Customer RSP Load
30 Variation balance to NARL Refining Limited Partnership on or before July 1, 2017.
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32 3. Hydro shall transfer the remaining Industrial Customer RSP Load Variation balance to the
33 Industrial Customer RSP Current Plan to mitigate the proposed July 1, 2017 RSP Adjustment
34 rate increase.
35
36 4. Hydro shall file for the approval of the Board a revised Schedule of Rates, Tolls and Charges
37 and RSP Rules, effective July 1, 2017, incorporating the findings of the Board in this Order and
38 setting out detailed calculations in relation to the transfers from the Industrial Customer RSP
39 Load Variation balance and the resulting impacts on rates.
40
41 5. The revised Schedule of Rates, Tolls and Charges and RSP Rules shall set out the proposed
42 RSP Current Plan rate, calculated in the ordinary course, as well as the RSP Current Plan
43 mitigation rate.
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45 6. Hydro shall pay all costs and expenses of the Board arising in this matter.

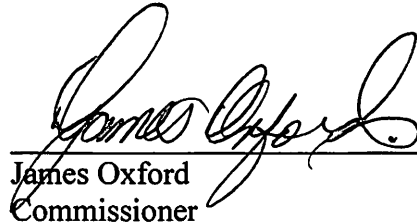
DATED at St. John's, Newfoundland and Labrador, this 20th day of June, 2017.



Darlene Whalen, P. Eng.
Vice-Chair



Dwanda Newman, LL.B.
Commissioner



James Oxford
Commissioner



Cheryl Blundon
Board Secretary