

DELIVERED BY HAND

April 30, 2018

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

Attention: G. Cheryl Blundon  
Director of Corporate Services  
and Board Secretary

Ladies and Gentlemen:

**Re: Newfoundland and Labrador Hydro (“Hydro”) – 2017 General Rate Application (the “2017 GRA”) – Application regarding a Motion for the Deferral of Cost of Service Methodology Issues Raised in the 2017 GRA to the Cost of Service Methodology Review Hearing (the “Motion”)**

### **Introductory**

The Motion seeks an order of the Board defining the scope of the cost of service methodology issues to be dealt with in the 2017 GRA. Effectively, the Motion proposes that the cost of service methodology issues to be addressed in the 2017 GRA be limited to the 5 issues addressed in Chapter 5 of Hydro’s 2017 GRA Evidence (“Hydro’s Evidence”).

By letter dated April 11, 2018, the Board set today as the deadline for comments on the Motion. These are Newfoundland Power’s comments.

### **Cost of Service Issues in the 2017 GRA**

With the exception of certain cost of service methodology issues addressed in Hydro’s Evidence, the 2017 GRA reflects, to a substantial degree, cost of service methodologies approved for the Island Interconnected system following the last generic cost of service proceeding, which took place in the early 1990s.

The expert evidence of C. Douglas Bowman, filed on behalf of the Consumer Advocate (the “Bowman Evidence”), raises, among other things, additional cost of service methodology issues in respect of: (i) the allocation of Hydro’s transmission line TL267 between demand and energy, and (ii) the marginal cost signal to be reflected in the Newfoundland Power wholesale rate design.

**Newfoundland Power Inc.**

55 Kenmount Road • P.O. Box 8910 • St. John’s, NL A1B 3P6  
PHONE (709) 737-5609 • FAX (709) 737-2974 • [ghayes@newfoundlandpower.com](mailto:ghayes@newfoundlandpower.com)

## **Cost of Service Review**

In Order No. P.U. 49(2016), following the hearing of Hydro's last general rate application, the Board accepted settlement agreements setting out a schedule for a cost of service methodology review to address changes arising from the Muskrat Falls project. The review was scheduled to take place in 2016. As noted in the Application, the Board subsequently agreed to delay the planned cost of service methodology review, at the request of Hydro, when it became known that Muskrat Falls would not be fully commissioned until 2020.

In the 2017 GRA Settlement Agreement dated April 11, 2018, the parties have agreed that the Board should direct that Hydro file, no later than November 15, 2018, an application for a Cost of Service and Rate Design Methodology Review (the "Cost of Service Review").<sup>1</sup> Hydro has indicated that the results of the Board's decisions in the Cost of Service Review will be incorporated in Hydro's 2019 GRA filing.<sup>2</sup>

The Motion proposes that, in the interest of regulatory efficiency, the cost of service methodology issues raised in the Bowman Evidence be deferred to the Cost of Service Review.

## **Newfoundland Power's Submission**

The Board's near-term regulatory agenda is a crowded one. In addition to the 2017 GRA, which is scheduled to resume in July and August, Newfoundland Power will file a general rate application on or before June 1, 2018. The Board will also consider the annual capital budget applications of both utilities in the latter half of the year, and will commence consideration of the Cost of Service Review. Once these matters have been addressed, it is anticipated that Hydro will file another GRA in 2019 to deal with Muskrat Falls costs.

From Newfoundland Power's perspective, there are no compelling reasons to address the cost of service methodology issues raised in the Bowman Evidence in advance of the Cost of Service Review. In Newfoundland Power's submission, changes to the marginal cost signal reflected in Newfoundland Power's wholesale rate, and the question of whether the costs of TL267 should be allocated differently than other common transmission assets, are better addressed as part of the more comprehensive assessment of cost of service issues that will take place in that proceeding.

It is important, in Newfoundland Power's view, that the Board address its challenging near-term regulatory agenda in as orderly and efficient a manner as is practical. In Newfoundland Power's submission, deferring the cost of service methodology issues raised in the Bowman Evidence to the Cost of Service Review is appropriate, and would contribute to an orderly and efficient regulatory process. For this reason, Newfoundland Power supports the Motion.

---

<sup>1</sup> Settlement Agreement, paragraph 25, 2017 GRA, Consent #1.

<sup>2</sup> Hydro Evidence, page 5.4, lines 4-15.

## **Newfoundland Power Inc.**

**Concluding**

In Newfoundland Power's submission, the Board should defer the cost of service methodology issues raised in the Bowman Evidence to the Cost of Service Review. Addressing those issues in a more comprehensive review of cost of service methodology issues would contribute to an orderly and efficient regulatory process.

With respect, Newfoundland Power makes the foregoing submissions without prejudice to substantive positions it may take in the 2017 GRA or other proceedings in relation to the cost of service methodology issues raised in the Bowman Evidence or otherwise.

We trust this is in order.

Yours very truly,



Gerard M. Hayes  
Senior Counsel

c. Geoffrey Young  
Newfoundland and Labrador Hydro

Paul Coxworthy  
Stewart McKelvey

Senwung Luk  
Olthuis, Kleer, Townshend LLP

Dennis Browne, QC  
Browne Fitzgerald Morgan & Avis

Van Alexopoulos  
Iron Ore Company of Canada