

WHENEVER. WHEREVER.
We'll be there.



August 2, 2022

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

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro – Application for July 1, 2022 Customer Rates
– Newfoundland Power's Comments**

On June 17, 2022, Newfoundland and Labrador Hydro ("Hydro") filed an application (the "Application") to the Board of Commissioners of Public Utilities ("the Board") requesting approval of rate changes applicable to Hydro's Island Interconnected, L'Anse au Loup, and Non-Government Isolated Diesel customers ("Rural Customers"), effective July 1, 2022. The proposed rate changes are based on the changes in Newfoundland Power customer rates effective July 1, 2022, as approved by the Board in Order No. P.U. 20 (2022).

On July 26, 2022, the Board set a schedule allowing for comments from parties on August 2, 2022. These are Newfoundland Power's comments.

Newfoundland Power supports approval of Hydro's Application.

The Application was filed in accordance with section 16 of Hydro's *Rules and Regulations, Policies for Automatic Rate Changes* and Order in Council OC2021-174. Order in Council OC2021-174 requires any changes to the rates charged to Hydro's Rural Customers be equal to changes approved for equivalent rate classes of Newfoundland Power's customers. This Order in Council is a government policy directive that has the effect of providing reasonable consistency in electricity rates charged to customers in the province. The implementation of this policy directive ultimately results in a revenue deficit, referred to as the "Rural Deficit," that is subsidized by Newfoundland Power's customers.

Newfoundland Power agrees with Hydro that the *Policies for Automatic Rate Changes* and the Application are consistent with current government policy and are not in conflict with Order in Council OC2013-343, which provides that the costs of the Muskrat Falls Project be recovered only from Island Interconnected customers.

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 693-3206 • FAX (709) 737-2974 • dfoley@newfoundlandpower.com

In Newfoundland Power's view, there is no current conflict between the aforementioned policies as implementing the rate change proposed in the Application would not result in Hydro's Rural Customers exceeding their current cost of service, including customers on its Labrador isolated systems. Hydro indicates that electricity rates paid by customers on its Labrador isolated systems recover approximately 25% of the cost to supply service to those customers.¹

Furthermore, Hydro has confirmed that approval of the rate change proposed in the Application would ultimately reduce the Rural Deficit and the costs recovered from Newfoundland Power's customers. In Newfoundland Power's view, absent a change in current government policy, any reduction in the Rural Deficit would be beneficial for its customers.

If you have any questions, please contact the undersigned.

Yours truly,



Dominic Foley
Legal Counsel

ec. Shirley Walsh
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

Denis J. Fleming
Cox & Palmer

Shawn Kinsella
Teck Resources Limited

Dennis Browne, Q.C.
Browne Fitzgerald Morgan Avis & Wadden

Sheryl Nisenbaum
Praxair Canada Inc.

Dean Porter
Poole Althouse

¹ See page 2 of Hydro's letter dated June 17, 2022 filed with the Application.