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December 12, 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 a Non-Firm Rate for
Labrador – Requests for Information**

Please find enclosed Newfoundland Power's Requests for Information NP-NLH-001 to NP-NLH-018 in relation to the above-noted Application.

If you have any questions regarding the enclosed, please contact the undersigned.

Yours truly,

A handwritten signature in blue ink that reads "Dominic Foley".

Dominic Foley
Legal Counsel

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Newfoundland & Labrador Hydro

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

IN THE MATTER OF an application by Newfoundland and Labrador Hydro (“Hydro”) pursuant to Section 70 of the Act for approval of a rate for Non-Firm Service in Labrador, and other associated matters (“Application”).

**Requests for Information by
Newfoundland Power Inc.**

NP-NLH-001 to NP-NLH-018

December 12, 2022

Requests for Information

NP-NLH-001

Reference: Application, Schedule 1, page 6.

Please detail how other Canadian utilities that sell surplus or additional energy on a non-firm basis consider recovery of embedded costs in their pricing. Please provide the information by each utility - Manitoba Hydro, BC Hydro, NB Power and Hydro Quebec.

NP-NLH-002

Reference: Application, Schedule 1, page 6 and Application, Schedule 1, Attachment 1, page 8.

Both BC Hydro and NB Power include an "adder" to the market-based portion of their respective non-firm pricing. Please explain in detail the reasoning for the adders by each utility, including if embedded (or fixed) costs are considered in the application of the adder.

NP-NLH-003

Reference: Application, Schedule 1, page 6.

Does Manitoba Hydro's Surplus Energy Program include any charges beyond the market-based energy rate? If so, please detail the charges by type and the purpose of the charges, including consideration of embedded costs.

NP-NLH-004

Reference: Application, Schedule 1, page 9.

On page 9 of Schedule 1 to the Application, Hydro states:

"While the non-firm customers will not pay explicitly for the use of the common transmission facilities system through customer rates, they will be subject to the pricing variability in the energy markets and may at times pay charges for non-firm energy in excess of the published firm energy rates."

Please clarify Hydro's position regarding price variability and recovery of costs associated with the common assets being used by non-firm customers. For example, would Hydro consider including some charge in its non-firm pricing for the use of common transmission assets if market energy rates were equal or below the published firm energy rates?

NP-NLH-005

Reference: Application, Schedule 1, page 9.

Please provide examples of other Canadian utilities that forego charging customers for the cost of an asset as a result of price variability that is expected to be experienced by that customer. For identified utilities, please detail the relevant rate charged and the costs that are excluded as a result of price variability.

NP-NLH-006

Reference: Application, Schedule 1, page 9.

On page 9 of Schedule 1, Attachment 1, Hydro states:

"As the non-firm customers would use the transmission system, Hydro believes it would be appropriate for the customers to pay a transmission demand charge based on the average embedded cost of demand."

While it was later determined that the inclusion of a per kW demand charge in non-firm pricing was not typical in other jurisdictions, could Hydro consider charging for the use of the transmission system through a per kWh charge? If not, why not?

NP-NLH-007

Reference: Application, Schedule 1, Attachment 2, page 6.

Table 1 titled *Non-Firm Incremental Energy Designs at Canadian Utilities* provides that all utilities offer non-firm pricing through either a "rider" or a "program" versus the "rate" indicated to be used by Hydro. Are there any relevant distinctions between the offering of a rider or program versus a rate? For example, in other jurisdictions, would non-firm pricing be available to new customers under the rider or program or would it be limited to existing customers?

NP-NLH-008

Reference: Application, Schedule 1, page 10.

Separately for the Labrador Interconnected System and the Island Industrial Customers, please outline an annual cost estimate in a table to administer the proposed non-firm service offering including, but not limited to: (i) billing, (ii) meter reading, (iii) posting the monthly price, (iv) administering curtailments and (v) regulatory and other reporting requirements. Please specify any other cost types.

NP-NLH-009

Reference: Application, Schedule 1, pages 3 and 4.

Please complete a table detailing energy sales and energy generation on the Labrador Interconnected System over the 5-year historical period, 2017 to 2021 and over the 5-year forecast period, 2022 to 2026. Please outline generation by source (e.g. TwinCo Block, Recapture Block, Muskrat Falls) and energy sales by area (e.g. Labrador East and Labrador West) and type (e.g. firm and non-firm).

NP-NLH-010

Reference: Application, Schedule 1, pages 3 and 4.

Will Hydro be limiting the availability of non-firm energy to the TwinCo and Recapture blocks? Over both short and long-term horizons, how are Muskrat Falls assets expected to be used to provide non-firm service?

NP-NLH-011

Reference: Application, Schedule 2.

Please provide a definition for "system constraints".

NP-NLH-012

Reference: Application, Schedule 2.

Would the definition of a system constraint include preventing use of surplus energy from Muskrat Falls to supply Labrador non-firm customers and preventing Hydro from incurring incremental energy costs higher than the opportunity cost of exports?

NP-NLH-013

Reference: Application, Schedule 2.

Over both short-term and long-term time horizons, could the provision of non-firm service impact any firm water sources that serve Island Interconnected customers, including Muskrat Falls?

NP-NLH-014

Reference: Application, Schedule 2.

Does Hydro intend to exclude direct connection to the Muskrat Falls substation in offering non-firm service? If so, please explain how the current rate schedule restricts the availability as intended by Hydro.

NP-NLH-015

Reference: Application, Schedule 2.

Please provide an illustrative example which compares the revenues received by Hydro (after adjustment for losses and other market fees) if energy is exported versus if the energy is sold to non-firm customers. Please explain any differences.

NP-NLH-016

Reference: Information Session for Interested Parties, slide 30.

Please detail in a table Hydro's export sales (in energy and dollars) over the 5-year historical period, 2017 to 2021 and over the 5-year forecast period, 2022 to 2026. Please detail the export sales by generation source (e.g. Muskrat Falls). Further, please detail for each year where the export revenues were credited (e.g. deferral account, Hydro's earnings).

NP-NLH-017

Reference: Information Session for Interested Parties, slide 30.

Please confirm that Hydro would not object to all non-firm related revenues being credited to a deferral account.

NP-NLH-018

Reference: Information Session for Interested Parties, slide 28.

Has Hydro considered whether the non-firm rate offering should be limited (in MW) or provided on a pilot or interim basis given current uncertainties including: (i) the reliability of the Labrador-Island Link, (ii) potential further growth in Labrador and (iii) ongoing feasibility studies associated with connection of non-firm customers closer to the Muskrat Falls Substation?

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 12th day of December, 2022.



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