

1 NEW BRUNSWICK ENERGY and UTILITIES BOARD

2 COMMISSION DE L'ENERGIE ET DES SERVICES PUBLICS N.-B.

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5 Matter 552 - NB Power 2024-2025 General Rate Application

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8 IN THE MATTER OF an application by New Brunswick Power

9 Corporation pursuant to subsection 103(1) of the

10 Electricity Act, S.N.B. 2013, c. 7 for approval of the

11 schedules of the rates for the 2024/25 fiscal year and

12 for the 2025/26 fiscal year, capital project and other

13 approvals.

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15 Held via Zoom on November 8, 2024

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14 Held via Zoom on November 8, 2024

15 Members of the Board:

- 16 Mr. Christopher Stewart - Chairperson
- 17 Ms. Heather Black - Member
- 18 Mr. John Logan - Member
- 19 Counsel to Board Staff - Ms. Abigail Herrington

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21 CHAIRPERSON: Good morning, everyone. This is the I guess
22 final session in the public hearing of Board Matter 552,
23 NB Power's 2024-2025 General Rate Application. As

1 always we will begin this morning taking appearances.

2 For the Applicant please?

3 MR. FUREY: Good morning, Mr. Chair, John Furey for New
4 Brunswick Power Corporation.

5 CHAIRPERSON: Good morning, Mr. Furey. Canadian
6 Federation of Independent Business?

7 MR. GIONET: Frédéric Gionet from Canadian Federation of
8 Independent Business.

9 CHAIRPERSON: Morning, Mr. Gionet. Canadian Manufacturers
10 & Exporters? Forest NB?

11 MS. ALLAN: Morning. Kim Allen for Forest NB.

12 CHAIRPERSON: Morning, Ms. Allen. IBEW Local 37? J.D.
13 Irving, Limited?

14 MR. ZACHER: Good morning, Mr. Chair, Glenn Zacher.

15 CHAIRPERSON: Good morning, Mr. Zacher. Liberty
16 Utilities? The New Brunswick Coalition of Persons with
17 Disabilities? Ms. Petit, I believe your microphone is
18 muted so we couldn't hear you. All right. Well Ms.
19 Petit has confirmed that she is present, in any event.
20 The Saint John Human Development Council?

21 MR. HATFIELD: Good morning, Mr. Chair, Randy Hatfield.

22 CHAIRPERSON: Good morning, Mr. Hatfield. The Utilities
23 Municipal?

1 MR. BURGOYNE: Good morning, Mr. Chair, Ryan Burgoyne.

2 CHAIRPERSON: Good morning, Mr, Burgoyne. And the Public
3 Intervener?

4 MR. CHIASSON: Good morning, Mr. Chair, J.M. Alain
5 Chiasson.

6 CHAIRPERSON: Morning, Maître Chiasson. And the New
7 Brunswick Energy & Utilities Board?

8 MS. HERRINGTON: Good morning, Mr. Chair, Abigail
9 Herrington.

10 CHAIRPERSON: Good morning, Ms. Herrington. As we have
11 indicated in Ms. Curran's note the other day to all
12 parties, the purpose of this morning's session is for
13 the Board to deliver our decision. As you will hear me
14 say in a moment, more fulsome written reasons will
15 follow shortly. Remind both counsel and hearing
16 participants and anyone who is in this proceeding this
17 morning that simultaneous translation is available. You
18 just need to click on the interpretation section or
19 icon, excuse me, on the bottom of your screen. For
20 myself, personally, I need to click on more first and
21 then it gives me a dropdown and interpretation. But if
22 you do so, simultaneous translation is provided and
23 available just by clicking and it will change to the

1 other alternate audio feed.

2 So without any further ado, the Board's decision is as
3 follows:

4 The Board is issuing this Decision on an expedited basis
5 to give ratepayers certainty about their electricity
6 costs and to provide NB Power with the information
7 necessary to plan its business and operational
8 activities. Detailed written reasons will follow.

9 The Electricity Act requires NB Power to apply to the
10 Board for approval of the rates it proposes to charge
11 customers for its services. NB Power is asking the
12 Board to approve a 9.25 percent average rate increase
13 across all rate classes for each of the Fiscal Years
14 ended 2025 and 2026 to be applied differentially,
15 meaning that customers in some rate classes would see
16 higher-than-average increases and customers in other
17 rate classes would see lower-than-average increases. NB
18 Power says it needs to increase rates because of planned
19 investments to improve reliability and station
20 performance, to make progress toward achieving its
21 equity target, and because of inflation, market prices,
22 and lower forecast export sales.

23 NB Power seeks approval to create several regulatory

1 accounts to smooth or defer the rate impact of its
2 proposed expenditures and is asking the Board to approve
3 a new wind balancing charge, rental rate increases for
4 its customer energy solutions products and services, and
5 other rates, charges, and proposals. The utility is
6 also asking the Board to approve, with retroactive
7 effect, the actual capital project costs of \$66.8
8 million associated with replacing the combustion gas
9 turbine generator at the Bayside Generating Station,
10 pursuant to subsection 107(4) of the Act.

11 The Board previously issued a ruling and interim Order
12 fixing rates reflecting differential rates and an
13 average 9.25 percent increase to all customer classes on
14 an interim basis effective April 1, 2024. The Board's
15 ruling and interim Order did not give final approval to
16 NB Power's proposed revenue requirements, rates, or
17 other requests.

18 Regarding the Board's approval of NB Power's Revenue
19 Requirement:

20 NB Power requests approval of a total revenue
21 requirement of \$2.587.9 billion for Fiscal Year 2025 and
22 a total revenue requirement of \$2.752.2 billion for
23 Fiscal Year 2026.

1 To fix just and reasonable rates, the Board adjusts the
2 revenue requirement by an amount that reflects a forced
3 loss rate for the Point Lepreau Nuclear Generating
4 Station of 7% for Fiscal Year 2026 instead of the
5 proposed 8% forced loss rate.

6 This adjustment relates largely to NB Power's forecast
7 Fuel and Purchased Power expense for the test period,
8 which includes costs that NB Power expects to incur to
9 replace the energy that Point Lepreau Nuclear Generating
10 Station would otherwise generate on days when the
11 station is not operating. NB Power forecasts these
12 costs by estimating outage time based on its plans for
13 annual outages and assumptions relating to contingency
14 days and unplanned outages.

15 NB Power is forecasting that its in-province Fuel and
16 Purchased Power costs will increase by \$172.4 million to
17 \$834.6 million in Fiscal Year 2025, \$88 million of which
18 results from increased forced loss rate assumptions and
19 longer planned outages for Point Lepreau Nuclear
20 Generating Station. In-province Fuel and Purchased
21 Power costs are forecast to decline slightly in Fiscal
22 Year 2026 to \$823.0 million. NB Power also forecasts
23 other expenses related to forced losses.

1 The Board concludes that the proposed revenue
2 requirement relies on an unreasonable forced loss rate
3 assumption for Fiscal Year 2026. The Board, therefore,
4 adjusts the proposed revenue requirement by the amount
5 necessary to reflect a forced loss rate of 7% for Fiscal
6 Year 2026.

7 The Board will not adjust the revenue requirement to
8 align with the 2023-2024 Q3R1 PROMOD forecast filed as
9 Exhibits NBP 16.02C and NBP 16.03C.

10 NB Power is required to comply with the Board's previous
11 direction to file its third quarter PROMOD forecast no
12 later than January 21st each year, even if no general
13 rate application is ongoing at that time.

14 The Board approves the proposed Net Earnings of \$64
15 million for Fiscal Year 2025 and \$63.5 million for
16 Fiscal Year 2026. The Board will not increase Net
17 Earnings by the amount of the disallowance related to
18 reducing the Point Lepreau Nuclear Generating Station
19 forced loss rate assumption.

20 The Board makes no other adjustments to NB Power's
21 revenue requirement for the test period but issues the
22 following approvals, Orders and Directions:

23 Regarding the ERP Upgrade Strategic Initiative:

1 NB Power describes its Enterprise Resource Planning
2 system as a complex system that manages the lifecycle of
3 tangible and intangible assets and provides critical
4 support and enablement to all of NB Power's operations.
5 NB Power asserts that its current ERP platform has
6 reached the end of its life and needs to be upgraded.
7 The Board approves NB Power's forecast expenses of \$29.1
8 million for the two-year test period. The Board also
9 approves the creation of a regulatory deferral account
10 under section 117.5 of the Act for approved expenses
11 actually incurred for its ERP Upgrade.
12 The Board concludes that the nature and magnitude of the
13 ERP Upgrade gives rise to a risk of cost overruns and
14 warrants the ongoing monitoring of project spending and
15 activities.
16 To minimize ratepayer risk, NB Power has committed to
17 requesting the Board's approval for additional spending
18 or before proceeding with additional activities and to
19 accompany any such request with a business
20 case/investment rationale, options analysis, scope of
21 work, schedule, budget, resource plans, and risk plans.
22 The Board expects NB Power to honour its commitment and
23 considers that the operation of the regulatory deferral

1 account will also reduce ratepayer risk because future
2 additions to the account will be restricted to approved
3 expenses that are actually incurred.

4 To facilitate the ongoing monitoring of the project, the
5 Board orders NB Power to file an ERP Upgrade progress
6 report with the Board no later than June 30, 2025, and
7 annually thereafter until further order of the Board.

8 The progress report shall provide up-to-date information
9 on the project schedule, budget, risk assessment and any
10 substantive new or updated business case/investment
11 rationale.

12 The Board concludes that it would be premature to
13 establish a firm amortization period at this time.

14 Regarding Regulatory Balance Adjustments and Regulatory
15 Account Proposals:

16 The Board approves NB Power's request to increase the
17 recovery period associated with the Point Lepreau
18 Nuclear Generating Station regulatory account
19 established under s. 139(2) of the Act to 28 years and 4
20 months. The Board accordingly varies its decision in
21 Matter 171 and approves the resulting regulatory
22 balance.

23 The Board approves the creation of a rate smoothing

1 account of finite duration, that is two years, under
2 section 117.5 of the Act to level the rate increases in
3 each of the Fiscal Years ending 2025 and 2026 by
4 adjusting net earnings on a forecast basis.

5 The Board approves the creation of a regulatory account
6 under section 117.5 of the Act to level the expected
7 replacement energy costs associated with major planned
8 outages at the Point Lepreau Nuclear Generating Station,
9 but only in each of the Fiscal Years 2025 and 2026. The
10 Board does not approve an enduring replacement energy
11 regulatory account at this time.

12 Regarding the vacancy credit component of the Labour and
13 Benefits budget:

14 The Board directs NB Power to complete its backfill cost
15 data capture initiative and to incorporate the data into
16 the vacancy credit calculation for its labour and
17 benefits expense budget in the next general rate
18 application.

19 Regarding NB Power's demand-side management and energy
20 efficiency programs:

21 The Board directs NB Power to take the following steps
22 to improve transparency regarding the costs and benefits
23 of its demand-side management and energy efficiency

1 programs:

- 2 1. to the extent practicable using the information
3 available to NB Power, to track the number of
4 participants in the Enhanced Energy Savings Program and
5 the backlog, incentive amounts, costs, and benefits of
6 that program separately for low-income participants and
7 moderate-income participants;
- 8 2. break out renewable measures from energy efficiency
9 measures in the next DSM Plan, expected to be filed in
10 October 2025;
- 11 3. in the next DSM Plan, provide cost-effectiveness,
12 total cost, initiative cost, and participant cost at the
13 measure level; and
- 14 4. work with Saint John Energy, Edmundston Energy, and
15 the Perth-Andover Electric Light Commission to provide
16 each municipal utility with historical and anticipated
17 customer participation and energy savings information
18 for each program for which their customers are eligible.
19 The Board directs NB Power to account for the Continuous
20 Improvement credit and similar future credits in its
21 budgets in a way that shows the revenue requirement and
22 variance accounts benefits.

23 Regarding Cost Allocation:

1 The Board approves the following adjustments of the new
2 regulatory deferral accounts in the Class Cost
3 Allocation Study model for the Fiscal Years ended 2025
4 and 2026: allocation of the regulatory deferral account
5 for the ERP Upgrade based on Net Plant, allocation of
6 the Point Lepreau Nuclear Generating Station Replacement
7 Energy regulatory account based on energy, and
8 allocation of the rate smoothing regulatory account
9 based on each class's share of the in-province revenue.

10 Regarding Rates and Charges:

11 The Board shares the affordability and accessibility
12 concerns expressed by interveners and NB Power in this
13 environment of significant annual rate increases. NB
14 Power has committed to establishing a vulnerable
15 customer liaison committee to better understand and
16 improve the customer experiences of those facing energy
17 poverty or accessibility challenges. The Board
18 considers this to be a valuable tool for NB Power, its
19 customers and the Board. The Board, therefore, directs
20 NB Power to establish the committee and report to the
21 Board no later than June 30th of each year on NB Power's
22 investment in the committee, participation, issues
23 raised, and outcomes achieved.

1 The Board approves differential rates for Fiscal Year
2 2025 and Fiscal Year 2026 in a manner consistent with
3 the presentation in Table 10.1 of Exhibit NBP 2.01.

4 The Board approves NB Power's proposal to eliminate the
5 General Service II rate class by April 1, 2025, as
6 presented in Table 10.6.1 of Exhibit NBP 2.01, as well
7 as the proposed bill protection measures. The Board
8 directs NB Power to keep protected customers informed
9 about the transition to merged rates and to quantify the
10 bill protection benefit on the customers' bills.

11 The Board approves the monthly rental service prices for
12 NB Power's water heating, area lighting, and SureConnect
13 backup power solution offerings presented in the tables
14 on page 321 Line 4, page 324 Line 6, and page 327 Line
15 19 of Exhibit NBP 2.01.

16 The Board approves NB Power's proposed wind balancing
17 charge of 0.227 cents per kilowatt hour for the Fiscal
18 Years ended 2025 and 2026 and approves the wind
19 balancing service rate schedule proposed on page 336 of
20 Exhibit NBP 2.01 with the addition of the following
21 language: The Customer must either purchase this service
22 from NB Power or make alternative, comparable
23 arrangements to satisfy its wind balancing obligation or

1 any portion thereof. The Board directs NB Power to
2 model the refinements for estimating intervention costs
3 recommended by Mr. Ming in Section 2 of Exhibit NBP 3.06
4 as part of an updated wind balancing study and to file
5 the study in its next general rate application, together
6 with an evaluation of the cost impact of those modelling
7 changes.

8 The Board accepts NB Power's proposal for a Rate Design
9 Learning Sandbox Procedure as a general framework. The
10 Board will continue to develop the proposed procedure as
11 a draft Board Rule of Procedure and will invite NB Power
12 and stakeholders to contribute to the finalization of
13 the Rule.

14 The Board does not approve NB Power's proposal to merge
15 the residential rural, urban, and seasonal monthly
16 service charges into a combined residential service
17 charge. The Board fixes urban, rural, and seasonal
18 customer charges that reflect the general 9.8% increase
19 and orders NB Power to maintain the distinction between
20 "rural" and "urban" residential customers based on the
21 pre-January 1, 2023, municipal boundaries until further
22 order of the Board. The Board will consider any future
23 proposal to merge the residential service charges as

1 part of a rate design proceeding.

2 The Board approves NB Power's request to maintain the
3 currently approved rates for late payment charges, non-
4 sufficient funds charge, and charges for using NB
5 Power's eCharge Network.

6 Regarding Performance Monitoring and Transparency to
7 Ratepayers:

8 At the Board's direction, NB Power files and publishes
9 28 performance indicators quarterly and/or annually to
10 give ratepayers an ongoing and transparent understanding
11 of the utility's performance. To improve the
12 accessibility and transparency of this information for
13 ratepayers, the Board now directs NB Power to use a
14 consistent, single-view format for all of the indicators
15 listed in paragraph 200 of the Matter 541 decision. The
16 Board observes that, for some indicators, NB Power
17 publishes both current and historical results. The
18 Board sees value in making these trends more obvious to
19 ratepayers so that they may effectively track the
20 utility's performance against its objectives over time.

21 Regarding the Bayside Turbine Replacement Capital
22 Project:

23 NB Power requests retroactive approval of the actual

1 capital project costs of \$66.8 million associated with
2 the replacement of the combustion gas turbine generator
3 at the Bayside Generating Station. NB Power had planned
4 to replace the gas turbine unit in Fiscal Year 2024 but
5 advanced the project to Fiscal Year 2023 following a
6 sudden failure of the unit that caused considerable
7 damage.

8 The Board is satisfied that the capital expenditures
9 were necessary for the reliability, adequacy, or safety
10 of the Bayside Generating Station and that NB Power's
11 capital expenditure of \$66.8 million was prudent. The
12 Board, therefore, approves the Bayside gas turbine
13 replacement project with retroactive effect, pursuant to
14 subsections 107(4) and 107(9) of the Act.

15 In Conclusion:

16 The Board orders NB Power to refile its test period
17 budgets identifying the above-noted adjustment, and to
18 refile its class cost of service study, proof of
19 revenue, and the resulting rates. Subject to approving
20 those documents, the Board will issue an order approving
21 rates for each customer class and the rate schedules to
22 take effect as of April 1, 2024, and April 1, 2025,
23 respectively.

1 The Board reminds NB Power of its previous Direction to
2 make appropriate billing adjustments for customers,
3 reflecting the differences between the rates approved in
4 the interim Order and the final rates contained in this
5 Order.

6 That concludes the Board's decision in this Matter. I
7 thank the parties for their participation and their
8 submissions and that concludes this session and the
9 Board will stand adjourned.

10 (Adjourned)