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# THE CONSUMER ADVOCATE

*Annual Report 2018-2019*

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## Message from the Consumer Advocate

In keeping with the requirements of a Category 3 entity under the **Transparency and Accountability Act**, I am pleased to present the 2018-19 Annual Report of the Consumer Advocate.

The focus of efforts during this year has been to keep electricity rates stable and affordable. This vigilance was required due to anticipated rate increases after the Muskrat Falls Project comes on stream. Already there are rate mitigation efforts before the Public Utilities Board (the Board) in that regards.

Similarly, efforts were made to keep insurance rates reasonable and to render advice to the Board pursuant to that objective.

Consumers were also represented before the Commission of Inquiry Respecting the Muskrat Falls Project.

Herein is my report. As the Consumer Advocate, I am accountable for the actual results reported.



Dennis Browne, QC  
Consumer Advocate

## Overview and Mandate

The Consumer Advocate represents electricity consumers in applications or hearings before the Board. The Consumer Advocate engages expert consultants in energy supply, regulatory practice, and capital/finance costs when assessing applications brought on by the utilities and making submissions to the Board.

In accordance with section 117 of the **Public Utilities Act**, RSNL 1990, Chapter P-47, the Lieutenant Governor in Council may appoint a Consumer Advocate to represent the interests of domestic and general service electricity customers in response to applications from public utilities.

On October 11, 2016, Dennis Browne, QC, was appointed as the Consumer Advocate, through the Independent Appointments Commission, to represent the interests of domestic and general service electricity consumers. This appointment enables the Consumer Advocate to represent various customers before the Board, as the need arises, without having to seek a specific appointment to become engaged in a matter.

On September 8, 2017, the Consumer Advocate was appointed under the authority of Section 61 of the **Automobile Insurance Act**, and subsection 3.1(8) of the **Insurance Companies Act** as Consumer Advocate for automobile insurance matters, including representing consumers in hearings before the Board in reviewing automobile insurance.

On May 31, 2018, the Consumer Advocate was engaged to represent the interests of electricity consumers in the Province in relation to the Commission of Inquiry Respecting the Muskrat Falls Project.

On September 5, 2018, the Consumer Advocate was appointed, pursuant to a reference, to the Board on Rate Mitigation Options and Impacts to represent the interest of ratepayers.

On October 2, 2018, the Consumer Advocate was reappointed under the authority of section 117 of the **Public Utilities Act** and paragraph 9(2)(a) of the **Independent Appointments Commission Act** for the purpose of participating in:

- (a) Any existing or future application or hearings before the Board;
- (b) Any other general matters in which the Board may engage the Consumer Advocate arising outside the application or hearing process; and
- (c) Commission of Inquiry Respecting the Muskrat Falls Project.

In addition to the above, the Consumer Advocate represented consumers in Newfoundland and Labrador Hydro's (Hydro) 2017 General Rate Application and the Newfoundland Power Inc.'s (NF Power) General Rate Application.

## Highlights and Accomplishments

For the period April 1, 2018 to March 31, 2019, consumers' interests were represented in applications before the Board, including Hydro's 2017 General Rate Application (GRA). Consumers were also represented in NF Power's 2019-2020 General Rate Application which resulted in no increase in consumer rates through a Settlement Agreement.

On September 13, 2017, the Consumer Advocate was appointed under the authority of Section 61 of the **Automobile Insurance Act** and subsection 3.1(8) of the **Insurance Companies Act**, as Consumer Advocate for automobile insurance matters, including representing consumers during the Board of Commissioners of Public Utilities' review of automobile insurance. The appointment was effective from September 8, 2017, for a term of eighteen months. At the conclusion of the hearing, the Board made recommendations to Government in reference to these matters.

On April 5, 2018, the Consumer Advocate filed an Application requesting clarification of the jurisdiction of the Board to determine certain aspects of Hydro's General Rate Application. The Muskrat Falls Exemption Order was declared exempting the Board from exercising its jurisdiction over Hydro in respect of any activity and any expenditures, payments or compensations related to Muskrat Falls and the transmission facilities of Muskrat Falls until the Muskrat Falls Project was complete. The Board considered this Application and decided it would not issue a decision pending further evidence, which could be adduced during the GRA hearing. Results from Hydro's GRA will be reported during the next reporting period.

Consumers were represented throughout the period at the Commission of Inquiry Respecting the Muskrat Falls Project.

## Report on Performance

The representation of consumer interests when applications from public utilities are received is determined by the nature of the application. Given that the role of the Consumer Advocate is to act as intervenor on appointment, it is not possible to forecast particular applications which may involve the Consumer Advocate's participation over the reported period. Applicants may request, for example, a rate increase, a price restructuring, or an increase in return on investment for capital expenditure. There may be further appointments from Government.

The development of any response to an application requires that the Consumer Advocate solicit advice from consultants with respect to the information required to make an informed argument. Consultants with an expertise in energy supply, regulatory practice and principles and cost of capital/finance are invaluable when assessing applications from electrical utilities.

The most significant priority for the Consumer Advocate over the next three years will be to work with consumers, utilities, the industrial customers and the Board in devising a plan to address the cost of energy resulting from the Muskrat Falls Project. The objective will be to alleviate for consumers the financial burden which may result from this project. The Consumer Advocate will work on behalf of consumers to help keep electricity affordable.

The focus of the Consumer Advocate is consistent over the three years of the 2017-2020 Activity Plan. Each year the Consumer Advocate will report on the results of the following objectives.

**Issue 1: Representation of Consumer Interests in Energy Matters**

**Objective:** By March 31, 2019, upon appointment, the Consumer Advocate will have represented the interests of consumers of electricity in the Province of Newfoundland and Labrador

Indicators	Actual Results
<p>Represented consumers at regulatory processes.</p>	<p>The Consumer Advocate represented consumers at Hydro’s GRA.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Retained experts on interim rate</li> <li>• Submitted Deferral Application.</li> <li>• Met with counsel regarding Jurisdiction Application.</li> <li>• Reviewed Hydro’s reply to jurisdictional clarification motion.</li> <li>• Retained experts in relation to Cost of Service.</li> <li>• Submitted Requests for Information (RFI) in relation to confidentiality issue.</li> <li>• Reviewed Settlement Agreements.</li> <li>• Consulted with experts regarding Settlement Agreements.</li> </ul> <p>The Consumer Advocate represented consumers at Rate Mitigation Options and Impacts Report.</p>

	<p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Retained experts in relation to Rate Mitigation Options and Impacts.</li> <li>• Reviewed the Liberty Consulting Group’s and Synapse Energy Economics’ Final Reports on Phase Two of the Muskrat Falls Project Potential Rate Mitigation Options</li> <li>• Reviewed RFIs and replied.</li> </ul> <p>The Consumer Advocate Represented Consumers at the Muskrat Falls Inquiry.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Retained experts and counsel to represent consumers during the hearings as directed by the Commission.</li> </ul>
<p>Attended pre-hearing conferences and meetings and public hearings held by the Board of Commissioners of Public Utilities.</p>	<p>The Consumer Advocate attended pre-hearing conferences and meetings and public hearings pertaining to Hydro’s 2017 GRA.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Attended a hearing at the Board in relation to Hydro’s 2017 GRA.</li> <li>• Attended a public hearing at the Board in relation to Hydro’s 2017 GRA.</li> </ul> <p>The Consumer Advocate attended pre-hearing conferences and meetings and public hearings pertaining to Rate Mitigation Options and Impacts.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Attended various meetings.</li> <li>• Attended technical conferences.</li> </ul>

	<p>The Consumer Advocate attended pre-hearing conferences and meetings and public hearings pertaining to the Muskrat Falls Commission of Inquiry.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Attended hearings in relation to Phase 1 of the Inquiry from September 16, 2018 to December 21, 2018.</li> <li>• Attended hearings in relation to Phase 2 of the Inquiry starting in February 18, 2019.</li> </ul> <p>The Consumer Advocate attended pre-hearing conferences, meetings and public hearings pertaining to NF Power’s 2019-2020 GRA.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Settlement conferences were held following a review of all evidence and experts’ reports and an agreement was reached that there would be no rate increase based on this Application.</li> </ul>
<p>Prepared and delivered submissions to the Public Utilities Board.</p>	<p>The Consumer Advocate prepared and delivered submissions to the Board pertaining to Hydro’s 2017 GRA.</p> <p>Specific work included:</p> <ul style="list-style-type: none"> <li>• Retained experts pertaining to NF Hydro’s GRA including for an Elasticity Study which indicated the limitations on raising consumer electricity rates.</li> </ul> <p>The Consumer Advocate prepared and delivered submissions to the Board pertaining to Rate Mitigation Options and Impacts.</p> <p>Specific work included:</p>



	<ul style="list-style-type: none"> <li>As the Hydro GRA is still underway, particulars of this indicator will be provided in the next annual report.</li> </ul> <p>The Consumer Advocate prepared and delivered submissions to the Board pertaining to the Commission of Inquiry Respecting the Muskrat Falls Project.</p> <p>The Consumer Advocate prepared and delivered submissions to the Board pertaining to NF Power’s 2019/2020 GRA. The Application was settled on November 14, 2018 and resulted in no rate increase.</p>
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**Issue 2:** Representation of Consumers During Automobile Insurance Matters and Insurance Company Reviews as Carried out by the Board of Commissioners of Public Utilities.

**Objective:** By March 31, 2019, upon appointment, the Consumer Advocate will represent the interests of consumers in insurance matters coming before the Board of Commissioners of Public Utilities.

Indicators	Actual Results
Represented consumers at regulatory processes.	<ul style="list-style-type: none"> <li>Retained experts in relation to insurance review.</li> </ul>
Attended pre-hearing conferences and meetings and public hearings held by the Board of Commissioners of Public Utilities.	<ul style="list-style-type: none"> <li>Attended a meeting at St. John’s City Hall for meeting with witness and counsel in relation to insurance matters.</li> <li>Met with the Minister of Service NL and officials regarding the Consumer Advocate’s insurance position.</li> </ul>
Prepared and delivered submissions to the Public Utilities Board with respect to customers.	<ul style="list-style-type: none"> <li>Prepared submission for presentation to the Board.</li> <li>Recommended the acceptance of recommendations which would stabilize rates.</li> </ul>

## Opportunities and Challenges Ahead

The Consumer Advocate will continue to represent the interests of the consumers of Newfoundland and Labrador, specifically in relation to the following issues before the Board:

- The result of Hydro’s 2017 GRA
- Issues pertaining to the cost of service
- Capital Budget Applications for NF Power and Hydro
- Rate mitigation issues related to the Muskrat Falls Project

## Financial Statements

Upon appointment, the Consumer Advocate prepares a budget for approval by the Minister of Justice and Public Safety in matters pertaining to electricity. For matters pertaining to insurance, the Minister of Service NL has budget approval authority. After the budget has been approved, the Consumer Advocate, in matters of electricity, renders detailed statements of account to the Board, which pays the account. For matters of insurance, the same process is followed. However, on occasion the Consumer Advocate will be appointed to intervene or participate in a non-Public Utilities Board insurance related matter, in which case Service NL both approves the budget and pays the account. Separate audited financial statements are not required of the Consumer Advocate. Expenses paid through the Board are included as a separate line item in its budget, which is audited by a private auditor. Expenses paid through Service NL are included in the professional services section of its budget; audited financial statements are a government requirement and are made through the Public Accounts Committee.

### 1. Newfoundland and Labrador Hydro 2017 General Rate Application

Invoice Date: May 29, 2018 (Invoice No. 13928)  
(Period April 27, 2018 to May 29, 2018)

i)	Professional Fees of the Consumer Advocate	\$ 1,912.50
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	\$10,102.50
iii)	Disbursements (including experts)	26,050.38
iv)	HST (i), (ii) & (iii)	1,847.31
	<b>Total</b>	<b>\$ 39,912.69</b>

2. Insurance – Consumer Advocate Appointment

Invoice Date: July 19, 2018 (Invoice No. 14010)

i)	Professional Fees of the Consumer Advocate	0
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	3,162.50
iv)	HST (i), (ii) & (iii)	0
	<b>Total</b>	<b>\$ 3,162.50</b>

3. Newfoundland Hydro's 2017 General Rate Application

Invoice Date: August 9, 2018 (Invoice No. 14048)  
(Period June 5, 2018 to August 7, 2018)

i)	Professional Fees of the Consumer Advocate	\$ 19,068.75
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	10,350.00
iii)	Disbursements (including experts)	15,156.47
iv)	HST (i), (ii) & (iii)	4,523.13
	<b>Total</b>	<b>\$ 49,098.35</b>

4. Newfoundland Hydro's 2017 General Rate Application

Invoice Date: October 15, 2018 (Invoice No. 14149)

i)	Professional Fees of the Consumer Advocate	0
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	39,746.29
iv)	HST (i), (ii) & (iii)	34.59
	<b>Total</b>	<b>\$39,780.88</b>

5. Muskrat Falls Inquiry

Invoice Date: October 19, 2018 (Invoice No. 14155)  
(Period September 16, 2018 to October 19, 2018)

i)	Professional Fees of the Consumer Advocate	\$ 29,250.00
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	2,576.44
iv)	HST (i), (ii) & (iii)	4,773.97
	<b>Total</b>	<b>\$ 36,600.41</b>

6. Insurance – Consumer Advocate Appointment

Invoice Date: October 15, 2018 (Invoice No. 14156)  
(Period August 17, 2018 to October 12, 2018)

i)	Professional Fees of the Consumer Advocate	\$15,468.75
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	40,494.38
iii)	Disbursements (including experts)	386.72
iv)	HST (i), (ii) & (iii)	2,378.31
	<b>Total</b>	<b>\$58,728.16</b>

7. Insurance – Consumer Advocate Appointment

Invoice Date: November 9, 2018 (Invoice No. 14201)

i)	Professional Fees of the Consumer Advocate	0
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	2,909.50
iv)	HST (i), (ii) & (iii)	
	<b>Total</b>	<b>\$ 2,909.50</b>

8. Newfoundland Hydro's 2017 General Rate Application

Invoice Date: November 15, 2018 (Invoice No. 14210)

i)	Professional Fees of the Consumer Advocate	0
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	2,783.00
iv)	HST (i), (ii) & (iii)	
	<b>Total</b>	<b>\$ 2,783.00</b>

9. Newfoundland Power's 2019/2020 General Rate Application

Invoice Date: November 29, 2018 (Invoice No. 14239)  
(Period June 26, 2018 to November 22, 2018)

i)	Professional Fees of the Consumer Advocate	\$6,626.25
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	28,417.50
iii)	Disbursements (including experts)	174,297.13
iv)	HST (i), (ii) & (iii)	5,387.97
	<b>Total</b>	<b>\$214,728.85</b>

10. Muskrat Falls Inquiry

Invoice Date: December 7, 2018 (Invoice No. 14260)  
(Period October 22, 2018 to November 30, 2018)

i)	Professional Fees of the Consumer Advocate	\$37,181.25
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	0
iv)	HST (i), (ii) & (iii)	5,577.19
	<b>Total</b>	<b>\$42,758.44</b>

11. Muskrat Falls Inquiry

Invoice Date: December 21, 2018 (Invoice No. 14324)  
(Period December 2, 2018 to December 20, 2018)

i)	Professional Fees of the Consumer Advocate	\$18,900.00
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	10.43
iv)	HST (i), (ii) & (iii)	2,836.56
	<b>Total</b>	<b>\$21,746.99</b>

12. Newfoundland Hydro's 2017 General Rate Application

Invoice Date: February 13, 2019 (Invoice No. 14413)  
 (Period August 15, 2018 to February 11, 2019)

i)	Professional Fees of the Consumer Advocate	\$ 3,712.50
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	8,685.00
iii)	Disbursements (including experts)	7,559.94
iv)	HST (i), (ii) & (iii)	1,906.12
	<b>Total</b>	<b>\$21,863.56</b>

13. Muskrat Falls Inquiry

Invoice Date: March 8, 2019 (Invoice No. 14459)  
 (Period January 18, 2019 to February 28, 2019)

i)	Professional Fees of the Consumer Advocate	\$16,706.25
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	0
iii)	Disbursements (including experts)	1,918.78
iv)	HST (i), (ii) & (iii)	2,793.76
	<b>Total</b>	<b>\$21,418.79</b>

14. Reference to Board on Rate Mitigation Options and Impacts

Invoice Date: April 5, 2019 (Invoice No. 14522)  
 (Period December 7, 2018 to March 29, 2019)

i)	Professional Fees of the Consumer Advocate	\$9,022.50
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	6,660.00
iii)	Disbursements (including experts)	36,901.69
iv)	HST (i), (ii) & (iii)	2,411.19
	<b>Total</b>	<b>\$54,995.38</b>

15. Insurance – Consumer Advocate Appointment

Invoice Date: April 9, 2019 (Invoice No. 14535)  
(Period February 13, 2019 to March 21, 2019)

i)	Professional Fees of the Consumer Advocate	\$2,418.75
ii)	Professional Fees of Legal Counsel to the Consumer Advocate	11,229.75
iii)	Disbursements (including experts)	120.94
iv)	HST (i), (ii) & (iii)	380.95
	<b>Total</b>	<b>\$14,150.39</b>