

IN THE MATTER OF the *Electrical Power Control Act, 1994* (the “EPCA”) and the *Public Utilities Act, R.S.N. 1990, Chapter P-47* (the “Act”) and their subordinate regulations; and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro (“Hydro”) for approvals of: (1) Under Section 70 of the Act, changes in the rates to be charged for the Supply of power and energy to its Retail Customer, Newfoundland Power, its Rural Customers and its Industrial Customers; (2) Under Section 71 of the Act, its Rules and Regulations applicable to the supply of electricity to its Rural Customers; (3) Under Section 71 of the Act, the contracts setting out the terms and conditions applicable to the supply of electricity to its Industrial Customers; and (4) Under Section 41 of the Act, its 2002 Capital Budget.

**Supplementary Information Requests
of the Industrial Customers**

**POOLE, ALTHOUSE,
THOMPSON & THOMAS**
Western Trust Building
49-51 Park Street
Corner Brook, NF
A2H 6H7
Solicitors for the
Industrial Customers

**STEWART MCKELVEY
STIRLING SCALES**
Cabot Place
100 New Gower Street
St. John’s, NF
A1C 5V3
Solicitors for the
Industrial Customers

IC 243. Further to IC-205(4), provide:

- a. The same revenue/costs information as on page 5 of 5 for the year 1991.
- b. Is margin included in the “costs” column shown on page 5 of 5? If it is included, what was the margin in dollars and the interest coverage rate for the Industrial class in each of the years 1991 and 1992?
- c. If margin is included in the costs column on p. 5 of 5, calculate the Industrial Class revenue, costs and revenue/cost coverage for 1991 and 1992 using the Board’s approved interest coverage rates of 1.03 for 1991 and 1.08 for 1992.

IC 244. In the response to IC-137, the allocators for industrial Customers are 13.07%, 13.09%, 13.27% and 13.63% for 1CP, 2CP, 3CP and 4CP respectively in the test year. The cost of service study (Brickhill’s schedule 3.1.A line 15) indicates a 1CP allocator of 14.22% and a 2CP of 14.25% for IC.

- a. Confirm the 1CP and 2CP allocators proposed for use in setting industrial rates.

- b. Explain, complete with detailed calculations, the difference between the allocators in Brickhill's schedule II and Brickhill's schedule 3.1A for Newfoundland power and the Industrial Customers. In particular, explain why, Industrial allocators increased, whereas NP allocators decreased.
- c. Redo the Cost of Service assuming that production demand was allocated using a 3CP allocator.
- d. Redo the Cost of Service assuming that production demand was allocated using a 4CP allocator.

IC 245. In Brickhill's schedule 2.2A, line 22, column 3, \$1,204,121 of distribution substations are classified as production demand.

- a. List the substation(s) involved.
- b. Explain why the substation(s) is classified as production demand rather than distribution.

IC 246. In Brickhill's schedule 2.2A, line 15, columns 3 and 4, there are terminal stations classified to production demand and production and transmission energy. Noting that lines 16, 17 and 18 of this schedule are for terminal stations associated with hydraulic production, Holyrood and gas/turbine production:

- a. List the terminal station(s) involved.
- b. Explain why the terminal station(s) is classified as production demand and/or production and transmission energy.

IC 247. With reference to the \$449,659 of purchased "wheeling" power in line 3 of Brickhill's schedule 4.4, list the sources and destinations of this wheeled power, the energy transmitted and the cost associated with each source.

IC 248. With reference to IC-7, does the column "subsidy portion" contain the amount that the Industrial Rate Stabilization Plan was increased due to re-allocation of interconnected rural costs to Industrial Customers? If not, for each of the years 1992 – 1999, provide the amount of subsidy re-allocated to Industrial Customers through the Rate Stabilization Plan.

IC 249. Further to IC-24:

- a. Provide a table that shows total gross generation, net energy production, losses and percentage losses for each year 1992 to 2000.
- b. Where is gross generation measured?
- c. Where is net energy production measured?
- d. Explain where the losses occur and the reason for the changes from year to year.

IC 250. Further to IC-73, the Rate Stabilization Plan for April 2001, page 14 shows +\$696,000 rural change adjustment.

- a. Fully explain the details of this charge.
- b. How much of this charge was re-allocated to the Industrial Customers?

IC 251.Further to NP-125 and NP-126, regarding Newfoundland Power's generation credit:

- a. What is the net capacity credit (i.e. generation credit less 'adjustment to include load supplied by NP')
- b. How does this generation credit impact the revenue requirement from Newfoundland Power? What is the total amount of the impact?
- c. Provide a revised cost of service assuming that Newfoundland Power's peak is not reduced for generation credit.

IC 252.Further to IC-120 (3):

- a. In light of: (i) section 3(a)(iv) of the *Electrical Power Control Act, 1994*, (ii) the directive from the Minister of Mines and Energy to Hydro on October 22, 1999 (IC-9 attachment), and (iii) the expressed intent of the *ex parte* application of Nov. 19, 1999 (IC-6) and the intent of Order P.U. No. 23 (1999-2000), explain why Hydro has continued to cause the Industrial Customers to subsidize rural customers through the rate stabilization plan rates since Jan.1, 2000.

- b. How does Hydro intend to reimburse the Industrial Customers for the amounts paid by Industrial Customers through the RSP in respect of subsidy to rural customers since Jan. 1, 2000?

IC 253. Further to IC-87, provide a cost of service assuming that the generation assets and associated terminal stations on the Great Northern Peninsula are assigned as common, but the transmission lines and associated terminal stations are assigned specifically to the rural customers.

IC 254. With reference to IC-98 and IC-206, confirm the forecast industrial rates for the years 2001 to 2005. Reconcile the apparent differences in increases between 2001 and 2004 in table 8 on page 14 of IC-98 and the chart of page 4 in the response to IC-206. What is the forecast percentage increase in Industrial rates (including RSP) between 2001 and 2004?

IC 255. Further to IC-105, provide the margin and interest coverage for 1999 before the write-off of the Roddickton wood chip plant.

IC 256. Further to IC-118, provide the total energy supply, the system losses and the system loss percent for the years 1992 to 2000 inclusive.

IC 257. With reference to IC-202, page 12 of 12, the first note states that the Industrial coincidence factor is 0.92.

- a. What coincidence factors were used in the 1992 and 1995 cost of service study.
- b. Provide explanation and calculation as to how this factor was determined.

IC 258. Further to CA-151, complete the following table for the years 1992 – 2000 actual and 2001 Forecast.

Year	Total Actual Deficit (col 3 + 4 + 5)	Subsidy received from NP	Subsidy Received from IC	Subsidy entitled from	Total subsidy received / entitled Lab. Customers

IC 259. Reference: Non-regulated Activities

- a. Please list all activities of Newfoundland and Labrador Hydro that are considered to be non-regulated.

- b. For each non-regulated activity, please provide
 - i) a detailed description of the non-regulated activity, including the customers served and the source of any energy supplied.
 - ii) list the value of all assets considered to be solely associated with the non-regulated activity
 - iii) list all costs associated with the activity in 2002 and 2003
 - iv) list all revenues associated with the activity in 2002 and 2003
 - v) provide a description of why the activity is unregulated with reference to the relevant sections of legislation, regulations, Board Orders, etc. Please attach copies of these relevant sections.

IC 260. With reference to Orders-in-Council, please provide a copy of all Orders-in-Council issued regarding Hydro or the PUB since the 1985 rate hearings.

IC 261. With reference to RSP Hydraulic Production, please confirm that the figures for hydraulic production in the RSP only include Hydro's own hydro generating stations and not NUG generation. Please describe any and all ways in which variations in NUG production affects the amounts charged to the RSP.

IC 262. With reference to NP-122, please clarify that generation and capacity factors listed are net of station service. If not, then please clarify what is removed from gross generation and capacity to arrive at the figures listed in NP-122. Please provide similar tables (i.e. by plant and year) which show the gross production and capacity, the items removed to arrive at the net figures listed in NP-122.

IC 263. With reference to NP-129,

- a. The table in NP-129 lists a significant reduction in specifically assigned costs to CFB. Please explain this reduction.

- b. NP-129 (b) notes that CFB is served under rate class 2.4 General Service Over 1,000 kVa. Is this the only rate class that CFB is served under? Please explain why sales under rate class 2.4 are treated as secondary.

IC 264. With reference to NP-169, please update the table at page 5 of the response for each year since 1994.

IC 265. With reference to NP-171, please provide a version of the table showing only the regulated equity and return.

IC 266. Interconnection Areas

- a. Please provide a definition, including names of all communities, for the following terms as used by Hydro:
 - i) St Anthony's and Roddickton area
 - ii) Area north of Hawke's Bay
 - iii) Hawke's Bay area
 - iv) GNP interconnection area.

IC 267 COS - Reference: JAB-1 Sch. 2.3A and IC-87

- a. Please explain and itemize all assets included in the line 13 (Transmission Lines) \$18,103,022 Rural Transmission Demand in JAB-1.
- b. Please explain and itemize all assets included in the line 15 (Transmission Terminal Stations) \$2,953,147 Rural Transmission Demand in JAB-1.

- c. Please explain and itemize all assets added to these two categories to arrive at the equivalent category values in IC-87. Please confirm that these assets are related to the GNP interconnection. Please note whether any of these assets relate to the Hawke's Bay area.

- d. Please itemize all additional assets that would be removed from common if the COS in IC-87 had also included Doyles - Port-aux-Basques line and terminal station and any other assets similarly assigned to common in JAB-1 (i.e. to comply with the "remote generation on radial systems that can reach the 230 kV grid" principle). Please reconcile these numbers with the specifically assigned values provided in IC-88.

IC 268. With reference to PU26 (1999-2000), please provide copies of the Hydro application for this hearing, including pre-filed testimony, a copy of the report of Dr. Wallace Read to the Board, any follow up testimony or evidence filed by Dr. Read, and any other expert testimony filed in that proceeding. Also, please provide a copy of information request PUB-8 from the hearing.

IC 269. GNP interconnection - Reference: PU5 (2000-2001),

- a. Please provide all evidence filed in that proceeding to support the claims (noted at page 8, lines 7 to 14 of PU5) that Hydro “believes 9700 kW of generation is adequate to meet the emergency requirements of the St. Anthony’s-Roddickton area”.
- b. Please confirm that the current firm generating capacity in the St. Anthony’s-Roddickton area is 9700 kW.
- c. Please provide a copy of the response to information request PUB 5 and PUB 7 from that proceeding.
- d. Please note all actions taken by Hydro to comply with this Board Order, including relocation of diesel units, and the costs of these actions.
- e. Please provide details on the current disposition of the 450 kW diesel unit which was previously at the Roddickton Wood Chip plant, and if still in service, please note the location and assignment as to Island Interconnected Rural customers or to common.

IC 270.GNP Interconnection - Reference: IC-203,

- a. Please provide a diagram comparable to HGB schedule XIII that shows the Island Interconnected system and the St.. Anthony's-Roddickton system prior to the GNP interconnection including all transmission line voltages and generating capacity.
- b. Please confirm that prior to the GNP interconnection, the area north to Flower's Cove was part of the Island Interconnected System.
- c. Please list all communities and provide the loads by month for each community, and the peak loads by month, since 1992 and forecast for 2001 and 2002 separated into three categories:
 - i) Areas previously part of the Island Interconnected System which are served by upgraded transmission as a result of the GNP interconnection
 - ii) Areas which are now part of the Island Interconnected System, but which prior to the GNP interconnection were not part of the Island Interconnected System or the St. Anthony's-Roddickton System

- iii) Areas which were part of the St. Anthony's-Roddickton system prior to the GNP interconnection.

- d. For each of the areas in 3, please list the local generation capacity that was in place prior to the interconnection, and the location of that generation.

- e. Please provide dates for construction of each of the transmission lines TL221, TL241, TL244, TL256, TL261, and TL257. If any of these transmission lines were upgraded or reinforced since they were first constructed in order to carry higher voltages or loads, please provide the date of the upgrade and the change in voltage. If any of them were replacements for earlier lines, please provide the same information for the earlier lines.

IC 271.RSP - Reference: NP-120 and IC-73,

- a. Confirm that NP-120 assumed 2002 COS allocation of the Rural Deficit in order to allocate Bulk Rural Fuel and Rural Rate Alteration for 2000 using the methods now proposed for RSP, including no allocation to Industrial customers. (page 21).

- b. Please adjust NP-120 to show the results assuming the 1992 COS allocation method for the Rural Deficit in order to allocate Bulk Rural Fuel and Rural Rate Alteration

for 2000 as originally adopted in the 2000 COS reports (see IC-73 report for December 2000), including allocation to the Industrial customers. Please indicate in detail the source of the COS report and schedules (see IC-1 reports) used to develop the relevant Rural Deficit allocation factors.

- c. Please provide detailed explanation (showing all calculations, assumptions, data, and sources for data derived from earlier COS studies) for the customer split allocations in the actual 2000 COS year to date results as at December 31, 2000 (see IC-73).

IC 272.RSP - Reference PUB-59, PUB-53 and IC-193,

- a. Provide detailed explanation for PUB-59 2001 (showing all calculations, assumptions, data, and sources for data derived from earlier COS studies or other sources) to explain each row for “Revised COS” and for “Cost Difference” (at page 12 for 2001).
- b. PUB-59 for 2001 shows various interest rates (at page 1 “interest rate 8.40% annually @ 8.11% monthly” and at page 10 “Interest = balance * 8.55% from Jan to Dec 2001”). Please explain the basis for each interest number, and the rationale for using these different numbers.

- c. PUB-59 for 2002, under Fuel Variation at page 4, shows 2002 Forecast Barrels that are less than the forecast barrels consumed for 2002 shown at IC-24 (as well as Grant Thornton report dated August 15, 2001, Exhibit 6-2). Please explain the difference and confirm that it relates only to removal of forecast non-firm No. 6 Fuel requirements.

- d. Confirm that PUB-59 2002 Summary Report should be adjusted to reflect 2002 Labrador Interconnection allocations - please provide adjusted Summary Report table, if this is required.

- e. PUB-53 and IC-193 provide RSP forecasts for 2002 through 2005 assuming base oil prices reset in 2002 at \$25/bbl and \$15/bbl respectively. Confirm that these responses assume no adjustment to 2002 Revenue Requirement or rates as set out in the Hydro Application, and that the Revenue Variance (as part of Load Variance) for 2002 through 2005 assume mill rates as currently applied for. Explain the rationale for this assumption. Provide adjusted responses for PUB-53 and IC-193 assuming that the NP and IC mill rates are adjusted to reflect the rebased oil prices at levels different than assumed in the Hydro Application - set out in detail the basis for the adjusted mill rate calculations.

IC 273.RSP and Rates after 2003 - Reference IC-98, IC-192, IC-193, IC-206 and PUB-53,

- a. Hydro's Five Year Forecast (IC-98) states that the next Hydro GRA is forecast to be filed in 2003 for implementation of new rates as at January 2004 (with these new rates to reflect Hydro's full normal WACC). Please provide adjusted RSP forecasts for 2004 and 2005 for oil base prices of \$15/bbl (IC-193), \$20/bbl (IC-192) and \$25/bbl (PUB-53) assuming that new rates as discussed in IC-98 are implemented in January 2004.

- b. Adjust the response to IC-206 assuming that new rates as discussed in IC-98 are implemented in January 2004.

Information Requests to the Board's Witness, Dr. John W. Wilson

IC 274. With reference to J. W. Wilson's evidence on page 36 & 37, where he states "assuming the same energy charge for interruptible usage as for firm industrial (2.309 cents/kwh), an interruptible customer with a 50% load factor would pay 2.72 cents per KWh (the price with an 80% load factor would be 2.56 cents) versus 4.80 cents per KWh for firm service to NP (or 4.23 cents per KWh for a firm industrial with a 50% load factor).":

- a. For the assumed energy rate of 2.309 cents per KWh, what would be the necessary price for No. 6 fuel (\$C / barrel) in order for this assumption to be true?
- b. Redo the calculation for 50% and 80% load factor based on the cost of service price of \$28 per barrel for No. 6 fuel.

IC 275.COS - Classify hydraulic storage Reference: John Wilson at p 12,

Please clarify the basis for assuming that hydroelectric plants are built only to meet the “base load”. Comment on the situations in Canada where storage facilities are utilized to ensure that water is made available when it can best serve winter peak system needs. Contrast this with run-of-river hydro facilities in Canada where no storage is available and river peak flows do not match system load peaks. If storage is used to meet system peak needs as well as to supply energy (by ensuring it is not spilled), confirm that the classification should reflect both functions - and explain how you would see this best being done under the examples noted here.

Information Requests to the Board’s Witness, William Brushett

IC 276.Dividend Policy : Grant Thornton 2000 Annual Financial Review of Hydro -

page 9,

At page 9 of the referenced report, it states: “The dividend policy approved by the Board of Directors of Hydro in November, 1995 provides for the payment of dividends annually up to 75% of net operating income provided such payment will not cause the debt:equity ratio to fall below 80:20.”

- a. Please provide a copy of the Hydro Board of Directors November 1995 policy referenced in this quote.
- b. Please confirm if the above quote is accurate. If it is accurate, explain with examples from Hydro’s books since 1995 how any payment of dividend acts to reduce the debt: equity ratio. If it is not accurate, please provide a corrected statement.
- c. Please indicate the impact of Hydro’s dividends on its debt:equity ratio for each year since the above policy was adopted and for the forecasted years 2001 and 2002.
- d. Please indicate if you are aware of any amendments to the above November 1995 policy. If so, please indicate each time the policy was amended and what the amended policy was in each instance.

Information Requests to the Consumer Advocate's Witness, Dr. B. A. Kalymon

IC 277.Cost of Capital: B.A. Kalymon - page 11,

At page 11, the above referenced testimony states: "The revised mandate for the regulation of Hydro requires that it be treated similarly to a privately owned utility."

- a. Please identify any factors relating to Hydro's Crown ownership and history which would modify the above statement.
- b. Would the opportunity cost of capital for Hydro for the equity change (from that which would apply to a privately owned utility) if it were determined that ratepayers provided the equity of Hydro? Explain. Do you agree that equity provided by ratepayers would be equivalent for these purposes to "no cost" capital?
- c. Comment on the extent to which Hydro in its current Application actually seeks to be treated similarly to a privately owned utility as regards return on equity for 2002. Please identify any privately owned utilities that have requested the equivalent to a 3% return in equity for rate setting purposes - and provide details on each such example.

DATED at St. John's, this 27th day of August, 2001.

STEWART MCKELVEY STIRLING SCALES

Per: _____
Janet M. Henley Andrews

POOLE ALTHOUSE THOMPSON & THOMAS

Per: _____
Joseph S. Hutchings

TO: G. Cheryl Blundon
Director of Corporate Services and Board Secretary
Board of Commissioners of Public Utilities
Suite E210, Prince Charles Building
120 Torbay Road
P.O. Box 21040
St. John's, NF
AIA 5B2

TO: Maureen P. Greene, Q.C.
Vice-President Human Resources, General Counsel & Corporate Secretary
Newfoundland and Labrador Hydro
Hydro Place, Columbus Drive
P.O. Box 12400
St. John's, NF
AIB 4K7

TO: Gillian Butler, Q.C. and Peter Alteen
Counsel to Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, NF
AIB 3P6

TO: Dennis Browne, Q.C.
Consumer Advocate
c/o Browne Fitzgerald Morgan & Avis
P.O. Box 23135
Terrace on the Square, Level II
St. John's, NF
A1B 4J9

TO: Edward M. Hearn, Q.C.
Miller & Hearn
450 Avalon Drive
P.O. Box 129
Labrador City, NF
A2V 2K3

TO: Mr. Dennis Peck
Director of Economic Development
Town of Happy Valley-Goose Bay
P.O. Box 40, Station B
Happy Valley-Goose Bay
Labrador, NF
A0P 1E0