

IN THE MATTER OF the

Public Utilities Act, (R.S.N. 1990, Chapter P-47 (the “Act”))

AND IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro for approvals of, under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to Newfoundland Power, Rural Customers and Industrial Customers; and under Section 71 of the Act, Changes in the Rules and Regulations applicable to the supply of electricity to its Rural Customers.

TO: The Board of Commissioners of Public Utilities (the “Board”)

THE REPLY of Newfoundland and Labrador Hydro (“Hydro”) to the Application of Abitibi Consolidated Company of Canada (Grand Falls), Abitibi Consolidated Company of Canada (Stephenville), Corner Brook Pulp & Paper Limited, North Atlantic Refining Limited and Voisey’s Bay Nickel Company Limited (hereinafter all referred to as the Industrial Customers) and the Application of Newfoundland Power Relative to Issues at the Hearing states:

1. The Industrial Customers have applied to the Board to exclude consideration of two issues raised in the EES Consulting Limited Report (the “EES Report”) and in the alternative they request a postponement in the hearing for a period of six (6) weeks. The Industrial Customers seek to exclude the evidence in the EES Report relating to the issue of the classification of generation plant and the proper assignment of the Great Northern Peninsula transmission line and related assets.

2. Newfoundland Power has applied to the Board seeking an order that, if issues raised by ESS Consulting Limited are to be excluded as requested by the Industrial Customers, then an additional issue should be excluded, that is the generation credit provided to Newfoundland Power in Hydro's Cost of Service Study.
3. Hydro agrees that the Board in Order No. P.U. 7 (2002-2003) made a number of determinations with respect to the appropriate Cost of Service Methodology to be used by Hydro including:
 - (1) The classification of generation plant using the Load Factor method. This was first considered by the Board in the 1993 Cost of Service Methodology Report and was confirmed by the Board in Order No. P.U. 7 (2002-2003).
 - (2) The treatment of the Newfoundland Power generation credit in the Cost of Service Study.

The Board also decided two additional issues raised in the EES Report:

- (1) The use of the zero intercept method for classification of distribution system costs; and
 - (2) The use of a one CP allocator for distribution demand costs.
4. With respect to the assignment of the Great Northern Peninsula transmission assets, the Board in Order No. P. U. 7 (2002-2003) required Hydro to file additional analysis with respect to the proposed assignment for the generation and transmission assets on the Great Northern Peninsula and the assignment of the Doyles/Port aux Basques and the Burin Peninsula assets. The Board stated it would

reconsider this issue at Hydro's next rate hearing (p. 113 of Order No. P. U. 7 (2002-2003)). The Board thus specifically left the issue of the proper assignment of the Great Northern Peninsula generation and transmission assets open for review at Hydro's next rate hearing.

5. No party to the hearing pre-filed evidence with respect to the method for the classification of generation plant, the use of the zero intercept method for classification of distribution system costs or the use of a 1CP allocator for distribution demand costs. The Industrial Customers did, in pre-filed evidence raise issues with respect to the assignment of the generation assets on the Great Northern Peninsula and the appropriate generation credit to be provided to Newfoundland Power in Hydro's Cost of Service Study.
6. As no parties to the hearing have raised any issue with respect to three (3) issues raised in the EES Report, the Board, if it is to exclude consideration of any of the issues raised in the EES Report, should exclude consideration of those issues which were addressed in Order No. P. U. No. 7 (2002-2003) and which to date no party has taken issue with, including the following:
 - (1) The classification of generation plant using the Load Factor method;
 - (2) The use of the zero intercept method for classification of distribution system costs; and
 - (3) The use of a 1CP allocator for distribution demand costs.
7. Hydro opposes the Industrial Customers' request for a postponement of six (6) weeks in the event that the evidence of EES Consulting Limited is not to be excluded with respect to certain issues. The Cost of Service evidence is not scheduled to commence until November

13th, 2003. There is sufficient time for the Industrial Customers to file supplementary evidence, if that is deemed necessary by them, to address the issues in the EES Report without postponing the commencement of the hearing.

Dated at St. John's, Newfoundland and Labrador, this 1st day of October, 2003.

NEWFOUNDLAND & LABRADOR HYDRO

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