

IN THE MATTER OF the *Public Utilities Act*,
R.S.N. 1990, c. P-47 (the “Act”)

AND IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro dated the 21st day of May, 2003, for approvals 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 rural customers

CONSUMER ADVOCATE’S INFORMATION REQUESTS

TO: Newfoundland and Labrador Hydro
Hydro Place, Columbus Drive
P.O. Box 12400
St. John's, Newfoundland & Labrador
A1B 4K7

Attention: Maureen P. Greene, Q.C. - V.P. Human Resources,
General Counsel & Corporate Secretary

CA-1 NLH Provide the following information for each of the past five years, and forecast for the years 2003 through 2007:

- Fixed cost/kWh sold
- Depreciation cost/kWh sold
- Finance charges/kWh sold
- Number of administrative employees/total number of employees
- Fuel cost (including purchases)/kWh sold
- KWh sales/employee
- Customers/employee
- \$ revenue/employee
- km distribution/employee
- Fixed cost associated with distribution system/km of distribution
- O&M cost associated with distribution system/km of distribution
- System average interruption duration index (SAIDI)
- System average interruption frequency index (SAIFI)
- Momentary average interruption frequency index (MAIFI)

- CA-2 NLH Provide an energy budget for the test year balancing expected production and purchases against losses and sales.
- CA-3 NLH Provide a financial forecast including a statement of all assumptions, planning criteria, perceived changes in the revenue requirement and required rate action for the next five years. Include a column showing the surplus/deficit in the Rate Stabilization Plan.
- CA-4 NLH Provide a table showing the various types of taxes in terms of revenue requirement and percent of customer rates, actual/forecast for the past five years, and next five years. Include the rural subsidy, but show separately.
- CA-5 NLH Provide the most recent residential electric sales profile available. Submit end-use daily load curves for the typical home (kW versus time) showing electric space heating, electric water heating and other end-uses as available for a winter weekday and weekend, summer weekday and weekend, spring weekday and weekend and fall weekday and weekend.
- CA-6 NLH Provide the typical annual consumption of a residential customer:
- With no electric heating or hot water
 - With electric hot water, but no electric heating
 - With electric hot water and electric heating
- CA-7 NLH Provide a comparison of the cost to the consumer to heat a typical home with oil, wood and electricity at current and proposed rates. Provide a comparison of the cost to the consumer of hot water for a typical home using oil and electricity at current rates. In the comparison, show Newfoundland and Labrador Hydro's (hereafter "NLH) cost of supplying electricity for (1) hot water, and (2) home heating for a typical home.

- CA-8 NLH For each of the interconnected systems, provide the forecast marginal cost of energy for the peak and off-peak periods of each season for the years 2004 through 2008. In addition, provide the Loss of Load Hours (LOLH) for the years 2004 through 2008 assuming no new generation is added to the system beyond that already committed. Show the proportion of the LOLH attributable to the peak and off-peak periods of each season for each of the years 2004 through 2008. Provide an estimate of the levelized cost of the least-cost peaking option. Provide the marginal cost of supply on the Rural Isolated Systems and for L'Anse au Loop.
- CA-9 NLH Provide system load factors including actual figures for the years 1998 through 2002, and forecast for the years 2003 through 2007, and describe the steps that have, and are, being taken to improve load factor.
- CA-10 NLH In the Board's Decision for P.U.7 (No. 27), NLH was directed to reduce "other costs" for the test year by \$2 million to reflect a productivity allowance.
- (a) Has NLH allowed for any productivity allowance in this rate application?
 - (b) What does NLH propose for the Board's consideration as a reasonable productivity allowance for inclusion in this application?
- CA-11 NLH In the Board's Decision for P.U.7 (No. 28), it is stated that the Board's financial consultants will work with NLH to recommend suitable regulatory standards that will be used to measure operating efficiencies at NLH. The standards are to be incorporated as part of NLH's ongoing reporting to the Board. Please provide these standards including the figures that have been reported to the Board to date.
- CA-12 NLH In the Board's Decision for P.U.7 (No. 65), NLH was directed to produce an evidentiary record involving the rural deficit. The record was to contain a concise statement of other public policy initiatives being implemented by NLH on behalf of Government along with the associated costs. Please indicate where in the application these other public policy initiatives are addressed.

- CA-13 NLH In the Board's Decision for P.U.7 (No. 68), the Board directed NLH to review the existing lifeline block for domestic customers to assess its adequacy. Please provide a copy of this review.
- CA-14 NLH In the Board's Decision for P.U.7 (No. 89), the Board directed NLH to present a summary report with recommendations on how NLH might improve reliability for customers in coastal Labrador communities. Please provide a copy of this report.
- CA-15 NLH On page 3, line 27 of Mr. Wells' Pre-filed Evidence, he indicates that a loss of approximately \$8 million is forecast for 2003. How does this compare to forecast profit/loss at the last rate hearing?
- CA-16 NLH On page 4, line 1 of Mr. Wells' Pre-filed Evidence, he provides a forecast of financial results for 2003 assuming no change in electrical rates. Please clarify if NLH is proposing a change in 2003 rates.
- CA-17 NLH On page 5, lines 19 to 22 of Mr. Wells' Pre-filed Evidence, he notes that there is an overwhelming preference for electricity as the energy source of choice for space heating in new construction. Why is this, and would it be the case if NLH had been charging customers the full cost of power rather than accumulating oil costs in the RSP?
- CA-18 NLH On page 16, Table 1 of Mr. Wells' Pre-filed Evidence shows that NLH's safety performance has been quite impressive. In this regard, what advantage does NLH have over other utilities in the survey sample?
- CA-19 NLH On page 17, lines 1 to 6 of Mr. Wells' Pre-filed Evidence, he references customer satisfaction research. Please provide copies of the customer survey results for 2001 and 2002.

- CA-20 NLH On page 17, lines 10 to 12 of Mr. Wells' Pre-filed Evidence, he references a multi-year energy conservation initiative. Please provide details of this initiative including results to date.
- CA-21 NLH On page 19, lines 21 to 23 of Mr. Wells' Pre-filed Evidence, he references a process for incorporating strategic planning in all aspects of its business operations and throughout all levels of the Corporation. Are employee bonuses an element of this plan? Please provide details of this plan, including the performance measures.
- CA-22 NLH On page 22, lines 19 to 22 of Mr. Wells' Pre-filed Evidence, he indicates that NLH is willing to accept the same rate of return on equity as Newfoundland Power. Why does Mr. Wells feel that Newfoundland Power is an appropriate benchmark?
- CA-22 NLH On page 24, lines 1 to 4 of Mr. Wells' Pre-filed Evidence, he indicates that no response has been received from Government at the time of writing his testimony. Has NLH since received any response from government? When is the Government expected to respond?
- CA-23 NLH On page 26, lines 16 to 17 of Mr. Wells' Pre-filed Evidence, he indicates that high-cost diesel systems have been targeted for conservation initiatives. Please provide details of this initiative, including results to date.
- CA-24 NLH On page 26, lines 1 to 18 of Mr. Wells' Pre-filed Evidence, he lists the cost reduction initiatives undertaken by NLH to reduce the rural deficit.
- (a) Has NLH considered organizational changes as a means for reducing the rural deficit? For example, British Columbia Hydro has a separate department for serving isolated communities.
 - (b) Has NLH reviewed the merits of forming a separate department funded by revenues from rates, and revenues from the cross-subsidy from other

customers, with the sole purpose of serving the rural and isolated customers, or alternatively, the isolated communities only?

- (c) Would this help to identify costs and make them more transparent, while providing staff greater focus?

CA-25 NLH On page 28, lines 18 to 20 of Mr. Wells' Pre-filed Evidence, he indicates that current industrial and residential rates compare favorably with those in other Atlantic provinces. Please provide the basis and support for this comment.

CA-26 NLH On page 29, lines 17 to 20 of Mr. Wells' Pre-filed Evidence, he indicates that the outstanding balances in the RSP should not be a significant factor impacting rates after 2004 if current forecast prices for No. 6 fuel reflect future costs. What is the expected range of prices about the forecast, and how would this price range affect rates in the years 2004 and 2005?

CA-27 NLH With reference to Schedule I of Mr. Wells' Pre-filed Evidence, what is NLH's forecast of operating, maintenance and administration expenses for 2003 and 2004 using the information filed in this application?

CA-28 NLH With reference to the discussion paper attached to Mr. Wells' Pre-filed Evidence on Hydro Rural Deficit Issues for Minister of Mines and Energy, page 2 of 14, the table indicates a significant increase in the rural deficit owing to Rural Island Interconnected customers in 2001, and again in 2002. What contributed to these significant increases?

CA-29 NLH With reference to the discussion paper attached to Mr. Wells' Pre-filed Evidence on Hydro Rural Deficit Issues for Minister of Mines and Energy, page 3 of 14, why do customers on the Labrador Interconnected System pay 49% more than their cost of service as their share of the rural deficit compared to only 19% more for Newfoundland Power?

CA-30 NLH The discussion paper attached to Mr. Wells' Pre-filed Evidence on Hydro Rural Deficit Issues for Minister of Mines and Energy, page 5 of 14, it is noted that the current 700 kWh lifeline block captures 75% of domestic consumption.

- (a) How much of the domestic consumption would be captured if the lifeline block were alternatively set at 600 kWh, 800 kWh, and 900 kWh, and what would be the impact on the rural deficit?
- (b) For each of these scenarios, if the tail-block energy charge were increased to marginal costs, for example, 25 cents/kWh, what would be the impact on the rural deficit?

CA-31 NLH With what fuel do most isolated customers heat their homes?

CA-32 NLH With reference to the discussion paper attached to Mr. Wells' Pre-filed Evidence on Hydro Rural Deficit Issues for Minister of Mines and Energy, pages 8 and 13 of 14, can it be concluded that the Northwest Territories Power Corporation recovers the full cost of service from its isolated communities? Is this because the tail block energy charge is far in excess of the costs of supply to compensate for a lower charge for consumption up to 700 kWh?

CA-33 NLH On page 1 of the Corporate Overview evidence given by William E. Wells it states "Hydro indicated to the Board during its 2001 GRA that new sources of supply to meet energy and capacity requirements for the Island Interconnected System would be coming in service in 2003. NLH further advised the Board that it would, therefore, need to seek an adjustment in rates to recover the additional costs arising from these sources. This current Application is primarily driven by this requirement". Please provide a schedule of revenues and costs pertaining to these new sources of supply. That is, please provide a calculation of the additional revenue requirement resulting from this increased capacity.

- CA-34 NLH NLH has indicated that it will have three new sources of supply: Granite Canal and power purchased from Corner Brook Pulp and Paper and from the Exploits River Hydro Partnership. Since these new supplies will also generate new revenues to NLH through more sales, why is NLH requesting a rate increase to cover their cost?
- CA-35 NLH Provide a table showing anticipated annual cost per MWh for energy produced by each of the three new sources of supply for the next five years, 2004 to 2008. In the case of Granite Canal, the cost should include the capital component. Also include the cost per MWh of purchased power from Rattle Brook and from Star Lake for the same years.
- CA-36 NLH
- (a) What alternatives to the new sources of supply were considered by NLH?
 - (b) Were any of those alternatives more cost-effective?
 - (c) Please provide benefit-cost or similar studies dealing with these new sources of supply and with any alternatives that may have been considered.
- CA-37 NLH Describe the decision-making process that led to the decisions to proceed with each of the three new sources of supply.
- CA-38 NLH On page 2 of the Corporate Overview evidence given by William E. Wells it states “Power purchase costs will increase in 2004 by \$18 million over the 2002 test year as a result of purchases from Corner Brook Pulp and Paper Limited and the Exploits River Hydro Partnership”. Please provide a summary of the cost savings realized by purchasing power as opposed to self-supply?
- CA-39 NLH On page 2 of the Corporate Overview evidence given by William E. Wells it states “Additional financing costs associated with the development at Granite Canal are approximately \$11 million”. Please provide calculations used to determine this figure?

- CA-40 NLH Referring to Charts 5 and 6 in the pre-filed testimony of Mr. Wells, please provide a definition of controllable costs. For the years in those Charts, what proportion of total costs are controllable costs?
- CA-41 NLH On page 7 of the Corporate Overview evidence given by William E. Wells it states “For the period 1992 – 2004, the total cost in wages and salaries, excluding employee future benefit costs, in absolute terms will have increased by approximately 7.5%”. Please provide the average wage increase for a management and a non-management employee in each department for this same period?
- CA-42 NLH On page 8 of the Corporate Overview evidence given by William E. Wells it states that 209 permanent positions have been eliminated from 1992 – 2002. Please provide a breakdown of the positions eliminated by department, management versus non-management, including the average age and salary of employees terminated?
- CA-43 NLH Please explain the concept of “vacancy allowance” as it pertains to Chart 3 on page 10 of the Corporate Overview evidence given by William E. Wells?
- CA-44 NLH Please provide, in table format, a schedule of controllable costs broken down into its various components for the years 1996 to projected 2005? Please indicate the percentage change, by year, for each component?
- CA-45 NLH Please provide, in table format, a schedule of non-controllable costs broken down into its various components for the years 1996 to projected 2005? Please indicate the percentage change, by year, for each component?
- CA-46 NLH On page 20 of the Corporate Overview evidence given by William E. Wells it states that a program to optimize corporate performance was initiated early in

2002 by the retention of consultants. Please indicate the total cost of this program and indicate any quantifiable savings to date resulting from this program?

- CA-47 NLH On page 15, Table 4 of Mr. Haynes' Pre-filed Evidence, are the generating stations included in the CEA sample of the same approximate size and capacity factor as Holyrood?
- CA-48 NLH On page 17, lines 4 to 15 of Mr. Haynes' Pre-filed Evidence, he indicates that a number of problems at Holyrood Unit 3, Cat Arm, Hinds Lake and Upper Salmon contributed to the high failure rate in 2002. What actions are being taken by NLH to improve performance in this area?
- CA-49 NLH On page 21, lines 29 to 30 of Mr. Haynes' Pre-filed Evidence, he indicates that NLH has committed not to exceed 25,000 tonnes of sulphur dioxide emissions in an average hydro production year. On what basis has this commitment been made, and to whom? What is this commitment costing the electricity consumers of Newfoundland and Labrador?
- CA-50 NLH On page 27, lines 5 to 7 of Mr. Haynes' Pre-filed Evidence, he indicates that NLH purchased an additional 8.6 GWh of secondary energy as a result of unforeseen shutdowns at Stephenville and Grand Falls paper mills. Please provide a comparison of the costs of these purchases versus the savings from displaced generation.
- CA-51 NLH With regard to Schedule VIII of Mr. Haynes' Pre-filed Evidence, are 2003 actual No. 6 fuel prices available through July? If so, please provide the figures.
- CA-52 NLH With regard to Schedule XI of Mr. Haynes' Pre-filed Evidence, why was 2002 actual load for ACCC – Grand Falls so high compared to forecast?

- CA-53 NLH In the pre-filed testimony of Mr. Haynes (p.29 line 28) mention is made of a hydraulic production forecast of 4,234 GWh for 2003 and it is stated that the accompanying table (Table 7 on page 30) provides a breakdown by plant. However, the total in that Table does not equal 4,234GWh. Please clarify.
- CA-54 NLH On page 25 of the Production Division evidence given by James R. Haynes it indicates that a feasibility study on wind generation as a source of power supply was completed in 2002. What was the conclusion of this study?
- CA-55 NLH (a) Regarding the wind feasibility project mentioned in Mr. Haynes' pre-filed testimony (p.35), has NLH investigated the possibility of cost-sharing by federal and provincial departments and agencies?
- (b) Furthermore, if wind generation turns out to be feasible, are there any prospects for financial assistance from government?
- CA-56 NLH On page 41 of the Production Division evidence given by James R. Haynes it indicates that NLH proposes that the GNP generation assets be assigned as common in the Cost of Service (COS).
- (a) Please indicate in dollars how this would impact rates by customer group?
- (b) Has approval of this change been factored into the 2004 & 2005 projections used by NLH in this Rate Application?
- CA-57 NLH Why aren't hourly wage costs forecast for 2003 and 2004 on Schedule VI of the Production Division evidence given by James R. Haynes?
- CA-58 NLH (a) To supplement its income and to support a large pool of in-house expertise, has NLH ever considered using its expertise to provide services on a commercial basis to markets outside the province?
- (b) Do other Canadian utilities do so?
- CA-59 NLH Please provide copies of the last five annual reports for NLH?

- CA-60 NLH Please provide, in table format, total wage costs and percentage changes in these costs by department for the years 1996 to projected 2005?
- CA-61 NLH Please provide in table format, a breakdown of total wage costs between management and non-management positions, by department, for the years 1996 to projected 2005?
- CA-62 NLH Please provide in table format, a summary of overtime costs, by department, for the years 1996 to projected 2005. Please separate between management and non-management employees.
- CA-63 NLH Please provide a list of the criteria used to determine employee bonuses?
- CA-64 NLH Please provide in table format, a breakdown of total employee bonuses between management and non-management positions, by department? Please indicate the percentage of payout for each group in relation to the potential maximum payout for the individual group?
- CA-65 NLH (a) Please identify specific instances where NLH and Newfoundland Power coordination has, to date, resulted in cost saving.
(b) For each case, provide an estimate of the saving.
- CA-66 NLH In his pre-filed testimony (p.3) Mr. Banfield referred to the report by Stone & Webster Management Consultants and its recommendation that an energy and demand rate structure, rather than the current energy-only charge, be adopted once a number of issues are resolved. Mr. Banfield indicated that in light of that report, NLH also recommends, subject to resolution of those issues, that such a rate be implemented instead of the energy-only charge.
- (a) What is NLH's specific plan to resolve the issues?

- (b) What is the timetable for this plan?
- (c) When does NLH foresee the actual implementation?

CA-67 NLH On page 3, lines 12 to 15 of Mr. Banfield's Pre-filed testimony, he indicates that the rate for firming up secondary energy purchased from CBPP and resold to Newfoundland Power as firm energy is proposed to be decreased by 18.6% from the current rate. What factors lead NLH to propose an 18.6% decrease in this rate?

CA-68 NLH On page 4, lines 18 to 21 of Mr. Banfield's Pre-filed Evidence, he indicates that the rate for non-firm service will be unchanged from the current rate of \$1.50/kW/month.

- (a) What is the basis for this rate?
- (b) Please provide a table showing the customers taking this rate and the interruptions, including date, demand interrupted and duration, in each of the past five years.

CA-69 NLH On page 12, lines 5 to 13 of Mr. Banfield's Pre-filed Evidence, he indicates that the rate for small GS – Government departments and large GS – Government Departments will substantially decrease. Why do customers in these rate categories see substantial rate decreases when the goal is to increase rates to reduce the rural deficit?

CA-70 NLH Table 8 on page 19 of Mr. Banfield's Pre-filed Evidence indicates that customers on the Isolated Rural Systems receive a lower average rate increase than Rural Island Interconnected customers who are paying substantially more than costs as a result of the rural deficit. Why is this the case when the goal is to reduce the rural deficit?

CA-71 NLH For all customer classes addressed in Section 4 of Mr. Banfield's Pre-filed Evidence, please provide a table showing the following: Customer Category; Number of Customers in Category; Current Average Rate (in cents/kWh);

Proposed Average Rates for 2004, 2005, 2006, 2007 and 2008 (through the transition period); and Percentage Increase in Average Rate Over Previous Year.

- CA-72 NLH (a) Are the proposed changes to the Rules and Regulations in Section 7 of Mr. Banfield's Pre-filed Evidence related to NLH's costs?
- (b) Please provide a table comparing the proposed charges to NLH's estimated costs of providing the service.
- CA-73 NLH What does NLH anticipate to be the implications for the future growth in its own rate base and in Newfoundland Power's rate base of a demand and energy rate structure?
- CA-74 NLH Provide a table showing the quantity of energy sold and the average revenue to NLH per MWh in the Labrador interconnected system for each year since 1990.
- CA-75 NLH Are there currently any plans to extend the Labrador Interconnected System to include additional communities?
- CA-76 NLH Is the transmission system between Churchill Falls and Happy Valley-Goose Bay sufficient to ensure that current and anticipated peak demand in that area is met by hydro-electricity? If not, are there plans to upgrade the transmission system?
- CA-77 NLH (a) In what way, if any, does the Winter Availability Contract between CFLCo and Hydro-Quebec affect the supply of energy to the Labrador Interconnected System?
- (b) Similarly, does energy consumption of the Labrador Interconnected System affect the amount available for sale under that contract?
- CA-78 NLH Provide a table showing, for each year since inception, the quantity of sales and average revenue per MWh from sales of recall power to Hydro Quebec.

- CA-79 NLH Provide a table showing the allocation of NLH's 300MW in recall power among (i) regulated sales, (ii) unregulated sales in Labrador and (iii) sales to Hydro-Quebec for each year since 1998.
- CA-80 NLH (a) In Mary's Harbour, Labrador, who is the owner of the small hydro site.
(b) At what price is the electricity purchased and under what contractual conditions?
- CA-81 NLH Is there scope for NLH, or non-utility generators, to develop other hydro sources on the Labrador coast that could provide communities with a more cost-effective supply of electricity?
- CA-82 NLH (a) What plans, if any, does NLH have to supply energy to the Voiseys Bay development?
(b) Would there be scope to also provide energy to Nain and other north coast communities as part of an integrated plan?
(c) Would the mining company or some other entity generate electricity, allowing NLH to enter a purchasing arrangement?
- CA-83 NLH Please provide information as to which other electric utilities maintain a rate stabilization plan (RSP) and what their experience has been.
- CA-84 NLH (a) Explain whether or not the RSP encourages consumers to reduce their consumption when fuel prices increase significantly.
(b) Has NLH ever conducted studies that assess the impact of the RSP on total consumption of No. 6 fuel? If so, please provide copies of any such studies.
- CA-85 NLH (a) When oil prices increased substantially over the past year or so, what measures did NLH take to reduce consumption of No. 6 fuel as well as diesel fuel?

- (b) Were its retail customers as well as Newfoundland Power encouraged to reduce energy consumption?

CA-86 NLH In light of the huge build-up in the “New” RSP balance, has NLH considered requesting that it be recovered over a longer period of time than the two-years currently allocated for recovery?

CA-87 NLH On page 2 of the Corporate Overview evidence given by William E. Wells it states that the balance in the new RSP account at the end of 2003 is projected to be in excess of \$60 million. Please indicate the effects on revenue requirement for 2004 and 2005 if this balance were to be recovered over a five-year period as opposed to the two-year period directed by P.U. 7? Please include additional financing costs?

- CA-88 NLH
- (a) What measures is NLH taking to stop any further rapid increase in the RSP balance?
 - (b) Specifically, if there are further increases in oil prices, what mechanisms does NLH have in place to take immediate actions to reduce No.6 fuel consumption?

CA-89 NLH Provide a chart showing the annual balances in the RSP since its inception.

CA-90 NLH Please provide, in table format, financing costs for the Rate Stabilization Plan (RSP) for the years 1996 to projected 2005

CA-91 NLH In his pre-filed testimony (p.14) Mr. Roberts indicated that the PUB has directed NLH not to earn any return on equity on the Isolated Rural and Island Interconnected Systems.

- (a) Please clarify this directive in terms of its relation to the rural deficit. In particular, are the figures on the rural deficit based on costs that exclude any return on equity?

- (b) Is NLH's application for a 10.75% return on equity applicable to equity exclusive of the equity in these rural systems or does it include that equity?

CA-92 NLH In reference to the pre-filed evidence of Kathleen McShane (Appendix A-iii,iv), for each Canadian regulatory proceeding in which Ms. McShane made recommendations with regard to the cost of capital in the past five (5) years provide the following:

- (a) The rate of return on common equity recommended by Ms. McShane.
- (b) The rate of return on common equity allowed by the board decision.

CA-93 NLH In reference to the pre-filed evidence of Kathleen McShane (Schedule VII), provide the term (in years) of the bonds used in each of the studies reported in this schedule.

CA-94 NLH In reference to the pre-filed evidence of Kathleen McShane (Schedule XIV), provide the term (in years) of the bonds used in each of the studies reported in this schedule.

CA-95 NLH In reference to the pre-filed evidence of Kathleen McShane (Schedule XV):

- (a) Provide the actual growth rates for the dividends and of the earnings of the U.S. Local Natural Gas Distribution Companies used in this schedule for the years 1993 to 2003.
- (b) Provide any studies which you have made to determine the accuracy of the analyst forecasts which you have used in this schedule.

CA-96 NLH In reference to the pre-filed evidence of Kathleen McShane (Schedule XVIII, XIX):

- (a) Provide the actual growth rates for the dividends and of the earnings of the Electric Utility Companies used in these schedules for the years 1993 to 2002.

- (b) Provide any studies which Ms. McShane has made to determine the accuracy of the sustainable growth rate forecasts which she has used.
- (c) Provide any studies which Ms. McShane has made to determine the accuracy of the analyst growth rate forecasts which she has used.

CA-97 NLH In reference to the pre-filed evidence of Kathleen McShane (Schedule XXI), provide the market to book ratios for each of the low risk Canadian industrial companies shown in Ms. McShane's schedule for each of the years from 1992 to 2001 and current values.

CA-98 NLH Provide NLH's debt-equity breakdown and rate of return on equity for its consolidated operations for each year since 1992 to 2002 and forecasts for 2003 and 2004. Forecasts for 2004 should be for both existing rates as well as proposed rates for 2004. Also, in the same table provide the corresponding figures for regulated activities.

CA-99 NLH In Ms McShane's pre-filed testimony (p.17 lines 24-26) she indicates that debt rating agencies are concerned with NLH's financial parameters on a consolidated basis and she notes that NLH's debt ratio has been under 70% since 1996. Does NLH agree that its ability to achieve and maintain a sound credit rating in world financial markets is determined by its financial parameters on a consolidated basis?

CA-100 NLH Provide a summary table that identifies NLH's operations that are unregulated and those that are regulated.

CA-101 NLH In assessing NLH for the purposing of a credit-rating, do credit-rating agencies consider only NLH's regulated operations?

CA-102 NLH (a) Has there been further guidance from the provincial government in regard to dividend policy and related matters since the March 25, 2003 letter sent to the Department of Mines and Energy? If so, please provide an update.

(b) If not, has NLH made any further attempts since the letter of March 25 to obtain further direction?

CA-103 NLH Does the Board of Directors of NLH have sufficient autonomy to decide a dividend policy independently of the provincial Minister of Mines and Energy?

CA-104 NLH (a) For recent years and for comparable electric utilities in Canada, what are the practices for dividend policy?

(b) For instance, what percentage of net income is typically paid out in dividends?

CA-105 NLH Please identify and elaborate on the causes of the substantial increase in the Rural Island Interconnected deficit since 2000.

CA-106 NLH Provide a table showing the revenues collected, the cost and the deficit for each of the Island Interconnected System, the Isolated Island system and the Isolated Labrador system. Provide these figures for 1992 to 2003.

CA-107 NLH (a) Are there currently any plans to connect any more isolated Island communities to the Island Interconnected System within the next three years?

(b) If so, which communities and when?

(c) Also, provide analysis of the cost-effectiveness of doing so.

CA-108 NLH Are there any incentive mechanisms (e.g., cash rebates for those who reduce consumption) or other means (e.g., advertising of energy-saving devices or appeals to reduce consumption when fuel prices rise) in place to encourage

customers in the Labrador and Island Isolated system and the Rural Island Interconnected system to reduce consumption of electricity?

CA-109 NLH To what extent has the decline in rural population, especially on the Northern Peninsula, been factored in to NLH's forecasts of the rural deficit?

CA-110 NLH (a) What would be the average cost of energy per MWh, including appropriate allowance for capital cost, of an additional unit at the Holyrood?

(b) What would be the estimated conversion factor?

CA-111 NLH (a) Has NLH completed studies on the elasticity of demand for energy with respect to price for various consumers in the province?

(b) Please provide the most recent estimates and associated studies.

CA-112 NLH In light of the recent substantial appreciation of the Canadian dollar, if the US-Canada exchange rate remains in the US\$0.71 to US\$0.74 range, identify and elaborate on the implications for NLH anticipated costs, financial position and revenue requirement.

CA-113 NLH On page 7, lines 1 to 2 of Mr. Reeves' Pre-filed Evidence, he indicates that reliability centered maintenance will be in place for distribution systems, diesel plants and terminal stations by mid-2003. What are the forecast annual cost savings attributed to reliability-centered maintenance?

CA-114 NLH On page 9, lines 25 to 27 and page 10, lines 1 to 4 of Mr. Reeves' Pre-filed Evidence, he indicates that Diesel System Representatives provide more flexible, multi-skilled personnel at each isolated diesel location.

(a) Are these staff members assigned only to work related to diesel systems?

(b) Do they generally live in the isolated community? If not, how are they dispatched to worksites?

CA-115 NLH With regard to page 15, Table 3 of Mr. Reeves' Pre-filed Evidence, how do the SAIDI and SAIFI figures compare to Newfoundland Power?

CA-116 NLH On page 7 of Transmission and Rural Operations Evidence by David W. Reeves it indicates that transformers can be reconditioned.

- (a) By how many years would this extend the life cycle of a transformer?
- (b) What is the replacement cost of a single transformer?

CA-117 NLH (a) Please provide a schedule indicating the age and location of the 83 diesel engines currently in use by NLH?

- (b) What is the average replacement cost of single diesel engine?

CA-118 NLH Please provide a schedule of "contracting out" costs for each department for the years 1996 to projected 2005?

CA-119 NLH NLH uses the phrase "Permanent Complement" when describing its workforce. Does this term mean the same thing as the phrase 'Full Time Equivalent' used by Newfoundland Power to describe its workforce? If not, please explain the difference?

CA-120 NLH Please reproduce Table 1 on page 9 Transmission and Rural Operations Evidence by David W. Reeves indicating wage costs per year?

CA-121 NLH Please reproduce Table 3 on page 15 and Table 4 on page 16 of Transmission and Rural Operations Evidence by David W. Reeves to include a column that shows numbers excluding planned outages?

CA-122 NLH (a) Please provide an explanation of what comprises the fringe benefit component of wage costs?

- (b) Are the components the same across all departments? If not, please provide composition of fringe benefits for all departments?

CA-123 NLH Why aren't hourly wage costs forecast for 2003 and 2004 on Schedule V of Transmission and Rural Operations Evidence by David W. Reeves?

CA-124 NLH Please provide, in table format, a year-by-year summary of severance costs paid out between 1992 and 2002?

CA-125 NLH On page 19, lines 12 to 14 of Mr. Roberts' Pre-filed Evidence, he indicates that the forecast price of oil for 2004 is \$29.42 per barrel. Please provide NLH's longer-term forecast of the price of oil and provide a comparison to the price of oil included in the RSP calculation, and the expected balance in the old and new RSP accounts in each year through 2008.

CA-126 NLH On page 24 of the Finance and Corporate Services Evidence provided by John C. Roberts it states "Consumable items (for example, electrical tape, safety gloves) used on a day-to-day basis, are now placed in bulk on the shop floor and readily accessible to workers".

- (a) How much is spent on consumables in any given year?
- (b) Are there any controls in place to prevent employees from abusing this new policy?

CA-127 NLH On Schedule III of the Finance and Corporate Services Evidence provided by John C. Roberts the rate base is forecast to increase by a combined total of \$129,261,000 during 2003 and 2004. Please provide details of the components of this increase?

CA-128 NLH On page 9, lines 10 to 11 of Mr. Greneman's Pre-filed Evidence, he indicates that demands used were developed with the support of updated load data from other

northern climate electric utilities in North America. Please provide further clarification of this statement including what data were used, and how.

CA-129 NLH On page 9, lines 18 to 21 of Mr. Greneman's Pre-filed Evidence, he indicates that distribution substations and the demand component of distribution primary and secondary lines were allocated using 1CP. In Mr. Greneman's experience, is this normal utility practice?

CA-130 NLH On page 13, lines 11 to 18 of Mr. Greneman's Pre-filed Evidence, he shows three refinements made to the cost of service evidence. Please show the impact of each refinement and of all three refinements in total, on the costs assigned to each customer class, including Industrial Customers, Newfoundland Power and the Rural Customers.

CA-131 NLH On page 14, lines 8 to 11 of his Pre-filed Evidence, Mr. Greneman states "We have therefore recommended that NLH implement a demand/energy rate structure of the form discussed in the study as Exhibit RDG-2 entitled "Review of Rate Design for Newfoundland Power". On page 3, lines 26 to 27 of Mr. Banfield's Pre-filed Evidence, he states "Subject to resolution of these issues, Hydro recommends that such a rate be implemented instead of the energy only rate outlined above". Within the context of these statements, please respond to the following:

- (a) What is NLH proposing for Board approval with regard to a rate design for Newfoundland Power?
- (b) What are NLH's plans with regard to the rate for Newfoundland Power?
- (c) Please reconcile the above statements with the following statement from the April 9, 2003 report by NLH's consultant, and attributed to the Board "If the Electricity Policy Review currently underway does not address this

issue as put before the Board at the pre-hearing conference in September 1998, the Board will address it at NLH's next general rate hearing. At that time the Board will expect NLH to file supporting evidence with its application to address the demand energy pricing issues raised at this hearing". Please explain how NLH has met the Board's expectation expressed in this statement.

- (d) Did NLH's consultant study the value of time-varying charges in the NP rate structure, and if so, what were the conclusions?

CA-132 NLH On page 14 of the Cost of Service Evidence provided by Robert D. Greneman it is stated that a demand/energy rate structure is recommended for Newfoundland Power. Please provide, in dollars, the potential effect such a change would have on billings to Newfoundland Power?

CA-133 NLH Please provide a cost benefit analysis (in dollars) of the poles purchased from Aliant?

CA-134 NLH (a) How many poles, in total, were purchased from Aliant?

- (b) What was the average age of the poles purchased from Aliant?

CA-135 NLH Table 7 on page 18 of the Rates and Customer Services Evidence provided by Sam D. Banfield refers to a CFB Goose Bay Secondary Revenue Credit. What is the source of this credit and how is the amount determined?

CA-136 NLH How much revenue has NLH collected from the Newfoundland and Labrador provincial government in electricity billings during each of the past ten years?

CA-137 NLH (a) How many employee vehicles does NLH currently own?

- (b) How much does NLH spend on employee vehicle replacements and employee vehicle maintenance during an average year?

CA-138 NLH (a) How much does NLH spend on computer replacement in any given year?

- (b) What is the average life of a computer owned by NLH? (ie. How often are computers replaced?)

CA-139 NLH Please provide a breakdown of travel costs, by department, for the years 1996 to projected 2005.

CA-140 NLH Please provide in table format, a summary of both fuel inventory and spare parts inventory maintained over the past ten years.

CA-141 NLH Please provide a breakdown of transportation costs, by department, for the years 1996 to projected 2005.

CA-142 NLH Please provide a breakdown of professional services costs, by department, for the years 1996 to projected 2005.

CA-143 NLH Please provide a breakdown of miscellaneous expenses, by department, for the years 1996 to projected 2005.

CA-144 NLH Please provide a breakdown of office supplies expenses, by department, for the years 1996 to projected 2005.

CA-145 NLH Please provide the rate for Newfoundland Power based on the rate design recommended by NLH's consultant in RDG-2, Review of Rate Design for Newfoundland Power (April 9, 2003).

CA-146 NLH On page 3 of Exhibit JRH-1, Fuel Oil Practices Review and Policy, December 10, 2002, it is stated that there are potential significant costs, expected to be in the

tens of thousands or higher, in terms of administration, consulting services and regulatory burden associated with the implementation of an oil hedging program. As a result, NLH concluded that the benefits of an oil hedging program over the RSP is of little additional real value. Please respond to the following:

- (a) Would NLH recommend implementation of a hedging program if the RSP were eliminated, and if so, which hedging program?
- (b) Would a hedging program be likely to result in the build up of an RSP-like account balance of \$161 million, representing almost half of the revenue requirement? If so, please explain the conditions under which such an event might happen.
- (c) What are the estimated costs of the RSP in terms of administration, consulting services and regulatory burden?

- CA-147 NLH (a) What is the basis for the generation reliability criterion used for planning the Isolated Rural Systems?
- (b) Have customers indicated a willingness to pay for this level of reliability?

- CA-148 NLH (a) Does the Rate Stabilization Plan provide incentive to NLH to minimize the cost of power supply to consumers?
- (b) How could the Rate Stabilization Plan be re-designed to improve incentives to NLH to minimize the cost of supply to consumers?

- CA-149 NLH Does NLH still offer Generation Outage Power? If so, provide the cost analysis supporting the rate; i.e., show how the rate reflects the cost to supply this power. Provide NLH's Generation Outage Power sales amounts (in kWh) and dollars by customer in each of the past five years.

- CA-150 NLH Provide NLH's Secondary Energy sales amounts (in kWh) and dollars by customer in each of the past five years.

CA-151 NLH Provide NLH's Wheeling sales amounts (in kWh) and dollars by customer for each of the past five years.

CA-152 NLH Page 13 of Exhibit DWR-1 notes that further discussions between Newfoundland Power and NLH on such matters as service areas, or transfers of ownership of significant assets are premature until such time as the Government's Energy Policy Review is finalized. Does NLH still believe this to be the case? Would such discussions perhaps provide the Government with useful input to its Energy Policy Review?

CA-153 NLH Please provide an update of the proposed rates and cost of service consistent with the Board's Decision in Newfoundland Power's 2003 Rate Review and Newfoundland Power's Filing pursuant to Order No. P.U.19, dated July 8, 2003.

CA-154 NLH Does NLH have any plans to offer alternative rate structures to Industrial Customers? If so, please provide information related to the rate designs.

DATED AT St. John's, in the Province of Newfoundland and Labrador, this 18th day of July, 2003.

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