

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 NLH 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 NLH
NLH Place, Columbus Drive
P.O. Box 12400
St. John's, Newfoundland & Labrador
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Attention: Maureen P. Greene, Q.C. - V.P. Human Resources,
General Counsel & Corporate Secretary

CA-159 NLH On July 18, 2003, Newfoundland Power announced second quarter results, stating that residential energy sales were higher due to increases in the number of customers and average use, while commercial energy sales increased due to continued growth in the service sector of the economy and activity related to off-shore oil projects. The company reported that year to date earnings were \$20.4 million, an increase of \$1.0 million over the same period last year. Has Newfoundland and Labrador NLH’s (hereinafter “NLH”) sales to Newfoundland Power increased over the year 2002, and, if so, by what percentage and what dollar value?

CA-160 NLH Please provide a chart showing sales to Newfoundland Power for 2002 and sales to Newfoundland Power for 2003, on a month by month basis, showing the percentage of increase/decrease as the case may be.

CA-161 NLH Please provide any updated forecasting for sales to Newfoundland Power for the remainder of this year.

CA-162 NLH In reference to NLH's own energy sales growth to residential consumers, has out-migration caused a decrease in sales in the rural communities served by NLH generally?

CA-163 NLH In reference to NLH's own energy sales growth to residential consumers, can NLH provide illustrations as to losses incurred in specific rural communities served by NLH due to out-migration?

CA-164 NLH In NLH's service territory, has there been any sales growth in recent years and, if so, name the communities where such growth has occurred?

CA-165 NLH In cases of out-migration, has it been the practice of NLH's customers in their service territory who vacate their homes, to retain their electric service and does NLH have specific information in that regard?

CA-166 NLH Does NLH have any forecasts in reference to housing starts in its service area for the year 2003 and beyond?

CA-167 NLH Has the start up of the Bull Arm site caused increased sales in electricity and can the same be quantified?

CA-168 NLH In its application, NLH is requesting a rate of return of 7.75% based on what the Public Utilities Board allowed Newfoundland Power in Order No. P.U. 19 (2003).

Of the \$55,000,000 in increased revenue requirements for the 2004 test year, how much revenue is based on NLH receiving a rate of return of 9.75%.

CA-169 NLH The Public Utilities Board allowed Newfoundland Power in Order No. P.U. 19 (2003) to earn up to 10.25%. Does NLH expect to be treated accordingly?

CA-170 NLH If NLH earns up to 10.25%, how much more revenue will Newfoundland Power be entitled to above the 9.75%?

CA-171 NLH In its revised application, Newfoundland Power says that of the \$55,000,000 approximately \$33,000,000 results from new sources of power to meet increased load requirements and increased costs for numbered fuel. Please advise of the approximately \$33,000,000 the exact amount required for increased load requirements and the exact amount required for increased fuel costs.

CA-172 NLH In the revised application of August 12, 2003, on page 28 reference is made to a balance related to NLH's controllable costs. Please specify each and every controllable cost referenced.

CA-173 NLH In a previous application, NLH accepted a rate of return less than, in NLH's opinion, what it was due. Please advise as to the revenue requirement if the rate of return NLH sought was 3%, 4% and 5% respectively.

CA-174 NLH In its 1st Revision of August 12, 2003, NLH states that there remains one other factor that will substantially impact rates in 2004 – the outstanding balances in the Rate Stabilization Plan. Please advise if NLH has any alternative proposals to lessen the impact on the Rate Stabilization Plan for consideration by the Public Utilities Board for the year 2004.

CA-175 NLH Please provide in table format, a summary of rate base, return on rate base, net operating income, dividends paid, loan guarantee fee paid and return on equity for

the years 1996 to projected 2005 and please indicate the percentage change in each of these figures by year?

CA-176 NLH Please provide details of how HST impacts NLH. Specifically, does NLH charge HST to all its customers, including municipal, provincial and federal governments and does it recover 100% of the HST it pays on expenditures?

CA-177 NLH Does NLH use the one-half year rule when calculating depreciation on capital asset additions and, if not, please indicate the effect on revenue requirement for 2004 and 2005 if it adopted this practice effective January 1, 2004?

CA-178 NLH If the 2003 Rate Application were approved as filed, please indicate the total rate increase, in a percent and in dollars, faced by Industrial Customers and Newfoundland Power in 2004 as a result of the combination of this Application and increases required to recover the balance in the RSP accounts?

CA-179 NLH On page 7 of Transmission and Rural Operations Evidence by David W. Reeves it states "NLH has experienced significant problems with insulators of a specific manufacturer (Canadian Ohio Brass). This problem is being addressed through a major replacement program across the system." What is the total estimated cost of this replacement – parts and labor and over what period will the replacement be performed and can the manufacturer be sued for damages?

CA-180 NLH In CA-15 it states that NLH had projected a break-even position in 2003 at the last rate hearing, but is now projecting a loss of eight million. Please provide on a dollar basis the expenses that have changed to create this loss?

CA-181 NLH In CA-118 it indicates that contracting out costs tripled between 1998 and 2002. Please provide the reasons for this increase and what portion, if any, of this increase can be attributed to the reduction in workforce?

CA-182 NLH In CA-51 it indicates that there were no fuel purchases in June or July. Why were no purchases made at a time when oil prices had dropped below \$ 30 per barrel?

CA-183 NLH Please provide, in table format, financing costs for the new Rate Stabilization Plan for 2002 to projected 2005 assuming the balance in the account was to be recovered over a five year period versus a two year period?

CA-184 NLH Please provide in table format, the average severance cost per employee for both management and non-management positions for the years 1998-2002?

CA-185 NLH Please reproduce page 5 of CA-133 (Exhibit 1) reflecting actual 2002 revenues and expenses relating to Aliant Pole purchase and please provide explanations for any significant variances from the projected figures?

CA-186 NLH Given the pending implementation of the Kyoto Treaty, are you aware of any new federal government incentive to promote the development of wind generation as a source of electricity and, if yes, please provide details of the incentive program(s)?

CA-187 NLH Further to CA-19 NLH, please provide the number of customer complaints per 1000 customers for each of the past five years:

CA-188 NLH Further to CA-19 NLH, please provide the percent of customer calls answered within 30 seconds for each of the past five years.

CA-189 NLH Further to CA-19 NLH, please provide the Percent of customer outage calls answered for each of the past five years.

CA-190 NLH Further to CA-19 NLH, please provide the percent of new customer services installed and energized by the date promised to the customer for each of the past five years.

CA-191 NLH Further to CA-19 NLH, please provide the Percent of estimated bills for each of the past five years.

CA-192 NLH Further to the response to CA-147 NLH that states “customers are not willing to pay more for more reliable service, and that less reliable service is not desirable”, please provide the number of hours of service outages, on an annual basis, that NLH’s customers are willing to accept.

CA-193 NLH Further to the response to CA-147 NLH that states “customers are not willing to pay more for more reliable service, and that less reliable service is not desirable”, please provide the correlation between amounts NLH has spent to improve the reliability of the network, and the power cuts in each region of the Province served by NLH.

CA-194 NLH Further to the response to CA-147 NLH that states “customers are not willing to pay more for more reliable service, and that less reliable service is not desirable”. Please provide information for recent years indicating the return on investments for reliability improvements beyond the system average.

CA-195 NLH Further to the response to CA-147 NLH that states “customers are not willing to pay more for more reliable service, and that less reliable service is not desirable”. With regard to reducing power outage durations, please provide a comparison of re-designed maintenance procedures (i.e., fielding additional repair crews) to making infrastructure improvements (i.e., building additional feeders).

CA-196 NLH Further to the response to CA-11 NLH, please provide the corporate measures with respect to corporate efficiencies that NLH has developed and reviewed with Grant Thornton.

CA-197 NLH Further to the response to CA-21 NLH, are there plans to administer bonuses to general employees in the future and are general employee bonuses considered a critical element to the success of managers meeting their corporate targets?

CA-198 NLH In the response to CA-24 NLH, it is stated that NLH has not recently reviewed the merits of forming a separate department with the sole purpose of serving rural and isolated customers. When did NLH last conduct such a review and please provide the results of that review.

CA-199 NLH In the response to CA-24 NLH, it is stated that NLH has not recently reviewed the merits of forming a separate department with the sole purpose of serving rural and isolated customers. Has NLH studied the organizational structure used at BC NLH for serving isolated communities and, if so, what were the results of the study?

CA-200 NLH Further to the response to CA-68 NLH, please show how firm customers (i.e., non-participating customers) are benefiting from the non-firm service rate offered Industrial Customers.

CA-201 NLH Further to the response to CA-148 NLH, please propose a redesign of the rate stabilization plan that meets the goals of the plan while increasing the incentive to NLH to minimize the cost of supply to consumers.

CA-202 NLH Further to the response to CA-113, please show where the \$1 million savings owing to the reliability centered maintenance program are accounted for in the revenue requirement determination.

CA-203 NLH Further to the response to CA-131 NLH regarding the rate design for Newfoundland Power, is NLH proposing that a demand/energy rate similar to the rate recommended in Exhibit RDG-2 be implemented January 1, 2004?

- CA-204 NLH Specifically, when is NLH proposing that the issues identified in Exhibit RDG-2 be resolved and is it NLH's intention that this issue be dealt with during the Negotiation Days/Technical Conference currently scheduled for September 23, 24, 25 26, 29 and 30?
- CA-205 NLH During a mediation session, would NLH be prepared to run cost of service and rate calculations, and conduct the types of analyses referenced in PUB-149 NLH, and what turnaround time would NLH need to conduct these analyses?
- CA-206 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) Exhibit RDG-2, page 12, indicates that it is only the winter peak that drives demand costs. Assuming the same rate structure recommended in Exhibit RDG-2, provide a rate including seasonally-varying demand charges consistent with the fact that electric heating is driving peak demand and also provide a rate that in NLH's judgment, appropriately reflects demand charges in winter and non-winter months.
- CA-207 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) provide a rate consistent with the rate structure recommended in Exhibit RDG-2 that has a winter demand charge that is double the non-winter demand charge, and comment on the appropriateness of such a rate.
- CA-208 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) provide a rate consistent with the rate structure recommended in Exhibit RDG-2, but based on Option 3 treatment of the NP generation credit. Also, please provide a comparison of the costs that would be allocated under a revised cost of service study to each of NP, the Industrial Customers and Rural Customers.
- CA-209 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) is treatment of the NP generation credit under Option 3 consistent with the treatment of Industrial Customers that have their own generation?

CA-210 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) please provide an explanation of the relationship between NLH and Newfoundland Power, and between NLH and Industrial Customers, in terms of customer-owned generation. For example, in what manner does NLH cooperate with Newfoundland Power and Industrial Customers and influence operation of their generation during normal operating conditions, during high production cost periods, and during emergency operating conditions and please provide any documented procedures covering NLH influence and cooperation concerning customer-owned generation.

CA-211 NLH Further to the response to PUB-150 NLH (referenced in the response to CA-145 NLH) please provide a table showing a weather normalized forecast of NP peak demand and energy consumption for each month in 2004. In effect, show the billing determinants used in the calculation of the rate in PUB-150 NLH.

CA-212 NLH With regard to the response to CA-130 NLH, on pages 2, 3 and 5, why do the increases/decreases not total zero and is the net effect of these changes that the revenue allocated to NP, Island Industrials and Labrador Industrials is reduced, and for the Rural Labrador Interconnected is increased, along with an increase in the rural deficit? If so, by how much is the rural deficit increased?

CA-213 NLH With regard to the report filed with CA-13 NLH titled *A Review of the Adequacy of the Lifeline Block on Diesel Electric Systems*, what is NLH proposing with regard to a lifeline block in this Application?

CA-214 NLH With regard to the report filed with CA-13 NLH titled *A Review of the Adequacy of the Lifeline Block on Diesel Electric Systems*, on page 8 of 10 it is indicated that short run marginal costs on the diesel systems are about 12.7 cents/kWh, and NLH is recovering about 65% of its short run marginal costs. In the response to CA-7 NLH, page 2 of 2, it is indicted that the cost to supply water heating for

Labrador Diesel and Island Diesel customers is \$1733 and \$2751, respectively, compared to customer costs of \$280. Please reconcile these figures.

CA-215 NLH In the August 12, 2003 covering letter from NLH to the PUB, it is noted that the revised Application incorporates the decision of the Board in Order No. P.U. 19 (2003) that approved revised rates for NP customers. NP's revised rates flow through to a number of NLH's rural customers. In this regard, please provide a table comparing each component of NP customer rates to each component of all NLH customer rates that are linked to the NP rates, with notes explaining the derivation in each case.

CA-216 NLH In the August 12, 2003 covering letter from NLH to the Public Utilities Board, it is noted that the revised Application incorporates the decision of the Board in Order No. P.U. 19 (2003) that approved revised rates for Newfoundland Power's customers. Newfoundland Power's revised rates flow through to a number of NLH's rural customers. In this regard, please provide an explanation of the policy with regard to the customer charge for NLH customer rates that are linked to Newfoundland Power rates.

CA-217 NLH Page 8, lines 6 to 8 of Mr. Banfield's Pre-filed Evidence, 1st Revision, indicates that Island and Labrador Isolated systems customers pay 18% and 29% of costs, respectively. Why is there such a large price discrepancy between the two systems?

CA-218 NLH On page 9, lines 29 to 31, and page 10, lines 1 to 6, of Mr. Banfield's Pre-filed Evidence, 1st Revision, he indicates that Government departments are charged rates based on full cost recovery. He goes on to say that rates for these customers will decrease 8.1% because of the combined costing of government and non-government GS customers. Please confirm that the revenue to cost ratio for government departments is 100%, and if not, please explain why not.

CA-219 NLH In response to CA-99 NLH, NLH has indicated that “the fair return on the regulated utility should be based on the regulated utility business risk and capital structure”. If this were the case, would that not artificially inflate the required return on equity if NLH’s credit ranking is really supported by its financial parameters on a consolidated basis?

CA-220 NLH In response to CA-111 NLH, NLH provides an estimate of the price elasticity of demand for electricity between -0.15 and -0.33. Is this the short-run or long-run elasticity and how does that compare with the estimated elasticities in other provinces?

CA-221 NLH In response to CA-112 NLH, NLH has indicated that the revenue requirement would lessen as a result of the referenced U.S./Canada exchange rate differential and its impact on the price of Number 6 fuel. Please quantify the actual reduction in revenue requirement based on exchange rates in the US \$0.71 TO US \$0.74 range.

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

Dennis Browne, Q.C., Consumer Advocate
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