

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 Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John’s, Newfoundland and Labrador
A1B 3P6

Attention: Peter Alteen / Ian Kelly, Q.C.

CA-231 NP On page 1, lines 11 to 12 of Mr. Brockman’s Pre-filed Evidence, he states that an inappropriate emphasis on demand charges in the Sample Rate design contributes to inefficiency in the sample rate energy charges. Mr. Brockman states in the Board’s 1990 report on *Proposed Rates to be Charged to Newfoundland Light & Power* that “if NP is to achieve proper matching between the distinct cost causation effects of demand and energy, the Board should recommend that Hydro develop a rate structure that includes these important components (pages 76 and 77). In light of this statement, what level of demand charge would NP judge appropriate?

CA-232 NP On page 1, lines 20 to 21 of Mr. Brockman’s Pre-filed Evidence, he states that the sample rate will not change Newfoundland Power’s rate designs. Has the energy-only rate caused Newfoundland Power to change its rate designs, and if so, please provide supporting evidence? What wholesale rate design would NP propose that would cause it to change its rate designs?

- CA-233 NP On page 2, lines 2 to 3 of Mr. Brockman's Pre-filed Evidence, he states that the available evidence indicates that demand management would have little effect on Hydro's future generation plans. Does NP in its role as a retail customer supplier believe this to be the case, and if so, why does NP offer an interruptible tariff to its customers?
- CA-234 NP On page 2, lines 9 to 10 of Mr. Brockman's Pre-filed Evidence, he states that there are no benefits to customers of imposing additional revenue volatility on Newfoundland Power. Would exposing NNP to additional revenue volatility provide incentive to NP to manage the volatility, thus transferring a portion of the volatility and supply risk from customers to NP?
- CA-235 NP Please file the June 1997 report authored by Newfoundland Power entitled *A Study of Innovative Approaches to Rate Design Based on Marginal Costs and Time-of-Use Design Principles*.
- CA-236 NP On page 16, lines 3 to 6 of Mr. Brockman's Pre-filed Evidence, he states "You simply do not sell products below the short-run marginal cost to produce them (except perhaps as loss-leaders) because you will lose money on every incremental unit you produce". He indicates that this idea is not only well known to economists, but even to the ordinary businessman. Please show how NP honors this principle in each of its retail rate classes, providing a comparison of its short-run marginal costs to its retail rates.
- CA-237 NP On page 17, lines 21 to 22 of Mr. Brockman's Pre-filed Evidence, he states that there is no evidence that NP would or should change its retail rate design in response to the Sample Rate from Hydro. Wouldn't an ordinary businessperson change retail rates in response to a change in the primary component of his/her wholesale cost structure?
- CA-238 NP Please provide support for the statement on page 21, lines 6 to 8 of Mr. Brockman's Pre-filed Evidence that in Canada, there is a propensity to have rate adjustment mechanisms to deal with purchased power cost volatility among distribution investor-owned utilities. Please provide a list of utilities that have such mechanisms along with a description of the mechanism.

- CA-239 NP Page 1, lines 18 to 24 of the Pre-filed Evidence of Messrs. Perry and Henderson provides potential impacts of the Sample Rate on NP. Please provide the probability of occurrence of these events, and compare the potential impacts to those that other investor-owned distribution utilities face.
- CA-240 NP On page 11, lines 11 to 17 of the Pre-filed Evidence of Messrs. Perry and Henderson, it is noted that NP could reduce annual purchased power expense by shifting production from the April-November period to the December-March period (under the Sample Rate). It goes on to say that additional storage of water increases the risk of spill, potentially increasing the cost of production at Holyrood. If the production costs on a power system in winter were double the costs in non-winter, would it be appropriate to optimize production from hydro plants in winter? Do not most utilities with storage hydro facilities utilize software packages that maximize hydro production during high cost periods while minimizing the probability of spill?
- CA-241 NP On page 27, lines 4 to 7 of the Pre-filed Evidence of Messrs. Perry and Henderson, it is stated that NP cannot exceed the maximum allowed rate of return on rate base since all excess earnings must be credited to the Excess Earnings Account and dealt with as directed by the Board. However, NP is not guaranteed a minimum rate of return on rate base. If the range of the allowed rate of return on rate base were expanded, and if NP were granted a minimum rate of return (similar to what might be incorporated in a performance-based regulatory mechanism), would a demand-energy rate be acceptable to NP?
- CA-242 NP On page 28, line 24 of the Pre-filed Evidence of Messrs. Perry and Henderson, it is stated that "Designing retail rates based on the purchased power rate is inappropriate". NP goes on to say that its retail rates are already designed to reflect the Island Interconnected System costs. Please clarify if NP supports implementation of a wholesale power rate that reflects Island Interconnected costs, and if not, please explain why.

CA-243 NP Given concerns related to earnings volatility deriving from a demand/energy wholesale power rate, would NP be more agreeable to an energy-only rate that varied by season to reflect Hydro's seasonal production cost variances, incorporating principles documented in the June 1997 report authored by NP entitled *A Study of Innovative Approaches to Rate Design Based on Marginal Costs and Time-of-Use Design Principles*?

DATED AT St. John's, Newfoundland and Labrador, this 11th day of September, 2003.

Stephen Fitzgerald
Counsel for the Consumer Advocate
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