

September 22, 2003

G. Cheryl Blundon
Board Secretary
Board of Commissioners of Public Utilities
Suite E210, Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Dear Ms. Blundon:

Re: Newfoundland & Labrador Hydro's 2003 General Rate Application

Please find enclosed the original plus ten (10) copies of Newfoundland and Labrador Hydro's supplementary Requests for Information to Newfoundland Power.

Hydro requests that these Requests for Information be answered as soon as possible, as the answers will assist in the discussion of the proposed demand energy rate structure during the mediation process scheduled to start September 23, 2003.

Yours truly,

Newfoundland and Labrador Hydro

Maureen P. Greene, Q.C.
Vice-President & General Counsel

MPG/jc

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

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; under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

**Requests for Information
To
Newfoundland Power**

(Filed pursuant to ss. 14 and 17 of the *Board of Commissioners of Public Utilities Regulations, 1996*)

Newfoundland & Labrador Hydro, Applicant

September 22, 2003

Newfoundland & Labrador Hydro (“Hydro”) 2003 General Rate Application

Requests for Information from Hydro To Newfoundland Power

NLH-214 NP Reference IC-419 NP, lines 14-16

Please provide a description of the “Weather Normalization Reserve” including the components of the reserve, how the “normal” is determined for the components of the reserve, and how activity in the reserve may impact Newfoundland Power and its customers.

NLH-215 NP Reference IC-419 NP, lines 25-27

Please provide reference in evidence that Newfoundland Power’s historic peak loads are used in allocation of demand costs to Newfoundland Power in Hydro’s cost of service study at this GRA.

NLH-216 NP Reference IC-419 NP, lines 19-21 and IC-420 NP

Please provide an estimate of the incremental cost to Newfoundland Power’s customers before and after the effect of the Rate Stabilization Account.

NLH-217 NP Reference IC-421 NP

If the proposed demand/energy rate to Newfoundland Power was implemented would Newfoundland Power operate its generation facilities contrary to Section 3(b) (i) of the Electrical Power Control Act? If not how does the rate do anything but cause Newfoundland Power to structure its rates to reflect this seasonal variation in its cost?

NLH-218 NP Reference NLH-53 NP and NLH-57 NP

Does the introduction of a two-part energy rate require a change in the Weather Normalization Reserve to reflect the change in seasonal power purchase costs? Please discuss this in the context of varying hydraulic generation seasonally and the impact on Newfoundland Power’s cost versus Newfoundland Power’s customer costs.

NLH-219 NP **Reference NLH-56 NP**

Further to the previous question and the response to NLH-56 NP, please provide the impacts to the RSA adjustment and the Weather Normalization Reserve if Newfoundland Power spilled 40 GWh of energy thereby producing 40 GWh less hydraulic energy during the non-winter period.

NLH-220 NP **Reference NLH-59 NP and NLH-64 NP**

In these responses you are indicating there is no impact on Newfoundland Power's purchased power expense. Please expand these to discuss the impact on Newfoundland Power's customers of Newfoundland Power's hydraulic generation management decisions.

NLH-221 NP **Reference NLH-75 NP and IC-417 NP**

Please explain the rationale of requesting load curtailments when the requirement reaches 1000 MW and not using the maximum hydraulic generation at the same time.

NLH-222 NP **Reference NLH-75 NP**

Please indicate for which peaks Hydro requested maximum hydraulic generation and explain the difference between the amount achieved and the 82 MW indicated in NLH-77 NP

NLH-223 NP Further to the response to NLH-54 NP, please confirm that the theoretical maximum 40 GWh that can be shifted into the winter period represents less than 1% of Newfoundland Power's normalized energy requirement and outline the degree to which the utility considers this aspect a major impediment to the implementation of a demand energy rate.

NLH-224 NP Further to the response to NLH-57 NP, who would benefit from the reduction in payments to Hydro of approximately \$504,000, shareholders or customers?

NLH-225 NP Further to the response to NLH-57 NP, if the seasonal shifting of 40 GWh was unsuccessful and it is assumed that the maximum or

approximately \$1,376,000 (i.e. 40 GWh x 3.44cents per kWh) had to be purchased from Hydro, please confirm that this would be a cost to the customer through the RSP.

- NLH-226 NP Is the decision regarding seasonal water storage one which has economic consequence for shareholders versus customer? If yes, please outline other business areas where Newfoundland Power weigh similar shareholder versus customer decisions.
- NLH-227 NP Further to the response to NLH-53 NP, is it reasonable to assume that energy purchased from a generator and sold by a distribution company to customers would be considered, in a generic sense, to be purchased power costs to the distributor, even if this transaction is handled by some form of rate stabilization mechanism?
- NLH-228 NP Further to the response to NLH-59 NP, Newfoundland Power states that "RSP adjustments have no impact on Newfoundland Power's purchased power expense and therefore provide no signal to Newfoundland Power with respect to management of its hydraulic generation." Does Newfoundland Power consider payments to Hydro for power and energy which are passed on to its customers through the RSP to be some form of signal to the utility with respect to the management of its hydraulic generation? Please discuss in relation to Newfoundland Power's consideration of the weighting given to a cost to its customer versus a benefit to its shareholder.
- NLH-229 NP Further to the response to IC-421 NP, does Newfoundland Power consider the requirement to manage and operate its facilities in a manner that is least cost to the customer a legislative requirement?
- NLH-230 NP Given the seeming consensus among other parties at the present hearing regarding the value of a demand energy rate, please discuss Newfoundland Power's weighting of the value given to the long term potential customer benefit of a demand energy pricing arrangement versus the weighting given to the revenue risk to the shareholder.