**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 Labrador City/Wabush

(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 <u>Labrador City/Wabush</u>

## <u>Mark Drazen</u>

- NLH-231 LC Aside from costs, to what extent does Mr. Drazen agree or disagree that the Labrador East and Labrador West systems are not materially dissimilar in configuration, i.e., in light of the fact that if any system is conceptually cut in two there will be differences between each?
- NLH-232 LC Why does Mr. Drazen believe comparability of physical facilities has any bearing with regard to the decision to develop separate rates for East and West and should the same principle be applied to other areas of the province?
- NLH-233 LC Does Mr. Drazen have any preset threshold with respect to cost differences between Labrador East and Labrador West as a basis for proposing that they should be costed separately?
- NLH-234 LC What would Mr. Drazen's position be with respect to cost of service if instead of two lines (Labrador East and Labrador West), there were, e.g., eight radial lines with cost differences between lines as high as, e.g., 4:1? Would Mr. Drazen propose that there be eight cost of service studies?
- NLH-235 LC On Page 8, under the Policy section of his evidence, Mr. Drazen states: "There is no general policy of rate equalization on the Hydro system. Hydro proposes five sets of rates, reflecting cost differences among five different subsystems: Island Interconnected, Island Isolated, Labrador Isolated, L'Anse au Loup and Labrador Interconnected. This 'systemization', as Hydro's witness describes it, is based on the different facilities and cost of service among those five areas. Thus, there is no inherent policy that requires the LIS East and LIS West rates to be equalized".

Would Mr. Drazen agree that in contrast to Labrador East and Labrador West, which effectively comprise the Labrador Interconnected system, one salient difference among Hydro's five systems is that they are geographically isolated and electrically independent of each other?

- NLH-236 LC Please discuss and reconcile Mr. Drazen's proposal to develop separate rates for Labrador East and Labrador West with respect to the fact that each of Hydro's isolated diesel areas that comprise the Island Isolated and Labrador Isolated systems are combined for costing purposes within each region.
- NLH-237 LC To what extent would Mr. Drazen agree or disagree with the fact that since Hydro does not own the transmission line in Labrador West, the cost of transmitting electricity to consumers is reduced and that this is effectively the same effect as that which occurs in any electric system by virtue of the fact that as some customers are closer to the generator, they technically have a lower cost of service? Does Mr. Drazen believe that rates for domestic and general service customers that differentiate costs as a function of distance from the generator are appropriate for any of Hydro's systems? Explain.
- NLH-238 LC Please discuss, in Mr. Drazen's estimation and judgment, any known factors that would cause a material difference in the long-run marginal costs (LRMC) between Labrador West and Labrador East. Address generation, transmission and distribution separately.
- NLH-239 LC Please confirm that the difference in IOCC's cost allocations of \$795,038 as proposed by M. Drazen (Schedule 3, Page 1, Column 4, Line 21) and the IOCC cost allocation of \$2,654,841 proposed by R. Greneman (Exhibit RDG-1, Page 3, Column 3, Line 3) would result in additional cost allocations to Hydro's rural customers in Happy Valley/Goose Bay of \$1,859,803.
- NLH-240 LC Please revise Table 4 of M. Drazen's evidence to correct the values reported on the total line.
- NLH-241 LC Restate the Sales-MWh value in Table 4 of Mr. Drazen's evidence for Happy Valley/Goose Bay to 218,337, the forecast distribution-level sales reported on PUB-113 NLH, Page 4.
- NLH-242 LC Restate the Sales-MWh value in Table 4 of Mr. Drazen's evidence for Labrador West to 259,954, the forecast distribution-level sales reported on PUB-113 NLH, Page 4.
- NLH-243 LC Recalculate the Cost/MWh in Table 4 of Mr. Drazen's evidence for Happy Valley/Goose Bay and Labrador West based on distributionlevel sales.
- NLH-244 LC Please update Table 5 of M. Drazen's evidence to reflect the revised cost of service (\$/MWh) for Labrador West as calculated in the revised Table 4.

- NLH-245 LC Please update Table 5 of M. Drazen's evidence to remove the CFB Credit.
- NLH-246 LC Please update Table 5 of M. Drazen's evidence to include the corresponding cost and deficit amounts, on a unit rate basis (\$/MWh), for Hydro's rural customers in Happy Valley/Goose Bay.
- NLH-247 LC With reference to Page 4 paragraph 4, how can Hydro recover embedded transmission or other costs if these costs are allocated to CFB- Goose Bay and forecast load does not materialize or has to be reduced to permit firm deliveries?
- NLH-248 LC With reference to Page 4 paragraph 3, please describe what constitutes an "integrated system"?
- NLH-249 LC With reference to Page 4, does the ownership of transmission or terminal facilities affect whether a system is "integrated" or not?
- NLH-250 LC With reference to Page 5 paragraph 1, assuming there is no intervening transmission outage, can the Goose Bay standby capacity be run to provide additional capacity at Churchill Falls for the use of other customers served from that facility including those in Labrador West?
- NLH-251 LC With reference to Page 5 last paragraph, if the transmission lines served from the 230 KV bus at Churchill Falls are not interconnected, what immediately happens to load fed by these lines when supply is interrupted?
- NLH-252 LC With reference to Page 5 last paragraph, please describe what makes an "interconnected " system?
- NLH-253 LC With respect to commentary on Page 4 and 5, what difference is there between an "integrated" and an "interconnected " system?
- NLH-254 LC With reference to Page 5 note 9, why should the cost of standby capacity installed to support firm load not be charged to customers receiving firm service but to one receiving secondary service?
- NLH-255 LC If additional transmission facilities are required to meet load growth in either Labrador City, Wabush or in Goose Bay, who should bear the costs?
- NLH-256 LC Please compute estimated rates (\$/ MWh) consistent with the suggested cost of service methodology in the evidence of Mr. Mark

Drazen assuming an incremental load increase of 20 MW at an annual load factor of 80 % in Labrador West requiring additional transmission facilities from Churchill Falls costing approximately \$77 Million (with annual costs based on 40 year sinking fund depreciation)? Present the summary results in the same format as Table 4 Page 6 and include copy of analysis along with all assumptions.

- NLH-257 LC Please compute estimated rates (\$/ MWh) consistent with the suggested cost of service methodology in the evidence of Mr. Mark Drazen assuming an incremental load increase of 20 MW at an annual load factor of 80 % in Goose Bay requiring additional transmission facilities from Churchill Falls costing approximately \$ 52 Million (with annual costs based on 40 year sinking fund depreciation)? Present the summary results in the same format as Table 4 Page 6 and include copy of analysis along with all assumptions.
- NLH-258 LC With reference to Page 1, first paragraph, isn't it true that on any interconnected system with radial lines to communities the nature of the facilities serving the communities is different? Please explain your response.
- NLH-259 LC With reference to Introduction and Overview, Page 1, does Mr. Drazen advocate that on any system with radial lines that the communities at the end of those lines have different rates? For instance, in the Island of Newfoundland should customers in Trepassey at the end of a radial line on the Avalon Peninsula have different rates than those at Port aux Basques in the southwestern corner of the Island of Newfoundland? Similarly should customers in St. Anthony at the northern tip of the Great Northern Peninsula pay different rates than customers on the Connaigre Peninsula in the south coast of the Island of Newfoundland? Each of these has a different level of local generation with different facilities supplying them. Please explain the difference in Labrador.
- NLH-260 LC With reference to Appendix A, in what other jurisdiction has Mr. Drazen testified recommending that communities at the end of different radial lines from a central system should have different rates and separate cost of services? Please identify if any of these jurisdictions have implemented Mr. Drazen's recommendation.
- NLH-261 LC With reference to Page 7, first paragraph, please provide the rationale for assigning the cost of the HV/GB standby generation to CFB Goose Bay.
- NLH-262 LC With reference to Standby Capacity on Page 5, please provide the basis for determining the \$1,400,000 cost assignment to Labrador

West. Also, please indicate if any costs are assigned to IOCC in Hydro's Cost of Service Study.

- NLH-263 LC With reference to the CF(L)Co line in the last paragraph on Page 6, what evidence is relied on to indicate the line to Happy Valley/Goose Bay is owned by CF(L)Co?
- NLH-264 LC With reference to CFB Goose Bay Credit on Page 7, given the premise that Labrador should have separate cost of service calculations, provide the rationale for the CFB Goose Bay Credit to be applied to Labrador West when CFB Goose Bay is located in Happy Valley/Goose Bay.