Requests for Information
Newfoundland & Labrador Hydro ("Hydro") 2003 General Rate Application

Osler – P. Bowman Prefiled Evidence

NP-212 NLH The IC Cost of Service witnesses recommend the load variation component of the RSP should be terminated (page 4 of pre-filed testimony of C.F. Osler and P. Bowman). Please provide background information on the reason for the existence of the load variation component in the RSP.

NP-213 NLH Further to NP-212 NLH: At the 2001 Hydro General Rate proceeding, Mr. Brickhill stated:

"No costs are shifted to Hydro's other customers as a consequence of the Industrial Customers not covering marginal costs in their energy rates. Hydro ultimately recovers its marginal costs from the industrials through the RSP, which simply defers for later recovery from the firm industrials what the firm industrials do not pay now."

Please confirm that Mr. Brickhill was referring to the load variation component of the RSP that ensures that no costs are shifted to Hydro's other customers as a consequence of the Industrial Customers not covering marginal costs in their energy rates.

NP-214 NLH Does Hydro believe that the load variation component of the RSP is fair in its method of dealing with earnings gains and earnings shortfalls from both Newfoundland Power and the Industrial customers.

NP-215 NLH On page 24 of the pre-filed evidence of C.F. Osler and P. Bowman, the testimony provides a description of the generation credit. They state the generation credit is "in essence to give them credit for generation they do not expect to use". Please explain the purpose of the generation credit used in Hydro's cost of service study.

NP-216 NLH Provide Hydro's position on the Industrial Customers' recommendation that the load variation component of the new RSP should be terminated (page 54 of of pre-filed testimony of C.F. Osler and P. Bowman).

NP-217 NLH The pre-filed evidence of C.F. Osler and P. Bowman (page 65) indicates that firming-up revenues are "credited in full to the NP RSP". Confirm that it is only the amount collected in excess of the charges from Deer Lake Power that are credited to the RSP.

NP-218 NLH The pre-filed evidence of C.F. Osler and P. Bowman (page 67) indicates that it is not apparent that Hydro's weighted cost of capital is the appropriate rate to charge to RSP balances. Please provide Hydro's position on this issue.

NP-219 NLH The pre-filed evidence of C.F. Osler and P. Bowman (page 34) indicates that there "is also little basis to suggest that the Burin Peninsula transmission assets, outside of that portion required to interconnect Hydro's Paradise River generation to the grid, reflect sufficient benefit in the test year to assign them as common".

Please comment on the additional benefits of the Burin generation and transmission assets to the grid reflecting the inclusion of the wind generation units that are to be built on the Burin Peninsula.

NP-220 IC Reconcile the recommendation of the use of the short-term cost of debt to apply to the RSP balance with the recommendation to treat the Hydraulic component of the RSP as a balance to be dealt with over the long-term (page of 4 of pre-filed testimony of C.F. Osler and P. Bowman).

NP-221 IC What generation assets on the Island Interconnected System does Mr. Osler and Mr. Bowman believe are "neither used nor useful to service the Island Interconnected System" (page 2 of pre-filed testimony of C.F. Osler and P. Bowman) and why?

NP-222 IC Is it the position of Mr. Osler and Mr. P. Bowman that if during the 2004 test year the system load slightly exceeded the Hydro's LOLH capacity criteria, as was the case during the 2001 test year, that you would support the position that the generation plant on the GNP adds value to the overall system and should be assigned to common? If not, why not?

NP-223 IC Further to NP-182 NLH, the incremental price for kWh usage by Industrial Customers (without increasing billing demand and without requesting interruptible service) is 2.811¢ per kWh. Given the short-run marginal cost of providing energy is 5.13¢ per kWh, does Mr. Osler and Mr. P. Bowman believe the 2.811¢ per kWh incremental price promotes efficient use of energy by Industrial Customers?

NP-224 IC Do Mr. Osler and Mr. P. Bowman agree that the 2004 cost of service allocation result to NP and IC would be approximately the same under the following two scenarios:

1) 2004 proposed cost of service with generation credit for NP (based on NP generation less reserve); and
2) 2004 proposed cost of service with no generation credit for NP but with NP's forecast peak demand reflecting NP generating at peak an amount equal to the generation credit in MW.

If not, why not?

NP-225 IC The evidence of Mr. Osler and Mr. P. Bowman, on page 43 at line 5 states: "the industrial customer has to pay the full incremental costs to service any load growth". Please provide a comparison of the full incremental demand and energy costs and the demand and energy charges to the Industrial Customers?

NP-226 IC For Deer Lake Power, please provide Corner Brook Pulp and Paper's native peak load requirements and the expected production during peak that nets against the native load to obtain the Power on Order forecast provided to Newfoundland Hydro. Also please provide how much production is made available when Hydro requests Deer Lake Power to maximize generation.

Grant Thornton's Prefiled Evidence

NP-227 NLH Page 3, lines 40-43 - Please provide an electronic copy of the monthly cash flow and interest model used to generate forecast borrowing requirements and estimates of interest expense and guarantee fees.

NP-228 NLH Page 5, line 1-2 – Does Hydro intend to file updated evidence as suggested by Grant Thornton to update its assumptions and revenue and expense forecasts with more current information? If so, please provide.

NP-229 NLH Page 8 – Please explain why GWh sales to Rural customers are forecast to increase by only 2 GWh from 2002 to 2003?

NP-230 NLH Page 8 – Please provide transmission and distribution losses data for 2000 and 2001

NP-231 NLH Page 9, lines 2-4 – Please confirm that the forecast percentage increase in transmission and distribution losses in 2003 and 2004 in comparison to actual losses experienced in 2002 increases total energy requirements by approximately 50 GWh in each of the two forecast years.

NP-232 NLH Page 18, lines 3-8 and lines 31-39 – Please provide a re-calculation of forecast depreciation expense, rate base and return on rate base for 2003 and 2004 using a 14% downward adjustment to capital expenditures and a retirement rate of 0.39% of total assets in each year.

NP-233 NLH Page 19, lines 8-9 - Please update 2004 revenue requirement to reflect the Board's decision with respect to Hydro's 2004 Capital Budget Application, as outlined in Order No. P.U. 29 (2003).

NP-234 NLH Page 22, lines 21-23 – What is the range of rate of return on rate base that Hydro would suggest as being appropriate for Hydro, and on what basis is this range determined?

NP-235 NLH Page 36, lines 9-10 – What is the status of the forecast bond issue scheduled for mid-2003 in terms of the amount, interest rate and timing of the proposed borrowing?

NP-236 NLH Page 36, lines 15-16 – Please provide a copy/explanation of the targeted weighted average term to maturity used to determine when a bond issue may be necessary.

NP-237 NLH Page 36, lines 19-20 – What is the basis for the average 5% interest rate used to forecast interest on short term debt for 2004?

NP-238 NLH Page 36, lines 22-24 – What would be the impact on interest costs and debt guarantee fees for 2004 if dividends had not been paid in 2002 and are not paid in 2003?

NP-239 NLH Page 37, lines 7-11 – Please provide the calculations of interest capitalized during construction for the years 2000 – 2002, and forecast calculations for 2003 and 2004.

NP-240 NLH Page 38, lines 17-19 – Please provide a listing of the 46 positions eliminated in 2002.

NP-241 NLH Page 38, lines 17-19 – Have any of the 46 positions eliminated in 2002 been filed with temporary, casual or contractual employees or by external contracts or consultants?

NP-242 NLH Page 39, lines 1-5 – Please provide a reconciliation between the forecast FTEs for 2003 and 2004 of 932 and 922 respectively and the 1014 FTEs shown on page 14 of Grant Thornton's *2002 Annual Financial Review of Newfoundland and Labrador Hydro*.

NP-243 NLH Page 38 and 39 – Please provide a schedule of changes in salaries from actual 2002 to forecast 2003 and forecast 2004 which indicates the specific reason for the increase/decrease and the amount of the increase/decrease in each case.

NP-244 NLH Page 39 lines 19-20 – If Hydro is making "a conscious effort" to reduce overtime costs in 2003 and 2004, please explain the $248,000 increase in forecast 2004 overtime as compared to the 2002 test year, as shown in the table on page 41.

NP-245 NLH Page 39 lines 36-39 – Please provide a calculation of the fringe benefits percentage for 2002 (13.15%), forecast 2003 (14.22%) and forecast 2004 (14.24%).

NP-246 NLH Page 39 lines 42-43 states that, "The payroll costs charged to capital are forecast in 2004 to decrease from 2002 by $2.653 million." Page 39, line 45 to page 40, line 2 goes on to say that this is a result of the completion of large capital projects such as Granite Canal and the Avalon Upgrade, and an initiative by Hydro to reduce the number of internal staff utilized on capital projects in future. Does this mean that Hydro intends to use more external contractors for capital work?

NP-247 NLH Page 40, lines 1-2 – If Hydro intends to reduce the number of internal staff utilized on capital projects in future years, how will these people be effectively utilized?

NP-248 NLH Page 39 lines 42-43 – Does the forecast decrease in costs to be charged to capital effectively eliminate the $2.5 million vacancy credit which Hydro has provided for in its 2004 test year forecast?

NP-249 NLH Page 42, lines 26-31 and 35-39; Page 45, lines 30-32; and, Page 47, lines 29-31 – What are Hydro's guidelines with respect to expensing versus capitalization of overhauls and major repairs and software acquisitions?

NP-250 NLH Table on Page 42 – Please provide a schedule showing a detailed breakdown of system equipment maintenance expenses for the Production department for each of the years 2001 through forecast 2004.

NP-251 NLH Table on Page 43 – Please provide a detailed listing of the staff training forecast for 2003 and 2004, and the cost associated with each. Also, indicate actual YTD expenditures for 2003 in each case.

NP-252 NLH Table on Page 43 – Please provide details as to the demand side management programs forecast for 2003 and 2004, and the cost associated with each. Also indicate actual YTD expenditures for 2003 in each case.

NP-253 NLH Table on Page 43 – Please explain how the forecast inventory loss for 2003 and 2004 was determined, and please provide any supporting calculations where applicable.

NP-254 NLH Page 44, lines 16-17 – Please explain why the inventory loss anticipated in the 2002 test year forecast did not materialize.

NP-255 NLH Page 44, lines 14-16 – Please provide any reports or documentation compiled with respect to the initiative in 2001 to identify excess and obsolete inventory items and to remove them from inventory.

NP-256 NLH Page 44, lines 14-16 – Was all the obsolete inventory identified as part of the 2001 initiative removed from inventory in 2001, and if not, what is Hydro's intention with respect to any items not written off at that time.

NP-257 NLH Table on Page 44 – Please provide a detailed listing of the professional service costs for 2001 and forecast costs for 2003 and 2004 (similar to the listing for 2002 provided on Page 24 of GT's 2002 Annual Financial Review of Hydro).

NP-258 NLH Page 45, lines 1-3 – Please provide a copy of the consultant's reports and recommendations resulting from the Business Process Improvement project undertaken in 2002, and management's plans with respect to the consultant's recommendations.

NP-259 NLH Table on Page 45 – Please provide details of travel and conference fees for each on the years 2002 and forecast 2003 and 2004.

NP-260 NLH Table on Page 46 – Please provide details of actual insurance costs for 2001-2002 and forecast 2003 and 2004 in the format found in Response to NP-28 NLH.

NP-261 NLH Table on Page 46 – Please provide details of transportation costs incurred in each of the years 2001 through forecast 2004 by type of transportation (i.e., vehicle fleet (gross and net), helicopter, etc.)

NP-262 NLH Table on Page 46 – Please provide details of equipment rentals for 2001 and 2002 and forecast 2003 and 2004.

NP-263 NLH Page 47, lines 17-18 – If Hydro is forecasting a decrease in the utilization of vehicles on capital projects in 2004, how will these vehicles now be used, and does this suggest that Hydro may have excess vehicles in its fleet which are no longer required?

NP-264 NLH Page 47, lines 24-25 and Page 44, lines 8-10 – Please explain the difference between personal protective equipment forecast under employee expenses, and safety clothing forecast under building rentals and maintenance?

NP-265 NLH Page 49, lines 22-31 – Please provide a detailed breakdown of capitalized salaries for 2001, 2002 and forecast 2003 and 2004 by the four components indicated (i.e., salaries, benefits, departmental overhead and non-departmental overhead) as well as supporting calculations where applicable.

NP-266 NLH Page 53, lines 9-17 – Please provide a copy of the written policies and procedures filed with the Board on December 31, 2002 with respect to the accounting for all intra and inter-company transactions.

NP-267 NLH Page 32, line 27 to Page 33, line 2 – Based on the analysis and factors summarized, please confirm that 636 kWh/bbl represents a reasonable forecast for the No. 6 fuel conversion factor for Holyrood for test year 2004.

NP-268 NLH Page 31, lines 20-23 – Should the forecast conversion factor for Holyrood referred to in Request for Information NP-274 NLH be adjusted further to reflect the 2 kWh/bbl efficiency improvement estimated with respect to the water lance installation?

NP-269 GT What would be the 2004 revenue requirement impact of using the forecast No. 6 fuel conversion factor for Holyrood referred to in Requests for Information NP-274 NLH and NP-275 NLH?

NP-270 GT Page 41 line 12 – Would 2004 test year employee future benefits costs be more or less than the costs currently forecast if Hydro had not adopted the accrual method of accounting for employee future benefits in 2002?

NP-271 GT Page 48, lines 10-26 – Should labour and certain other services provided by Hydro to inter-related companies be charged out at market rates where appropriate, similar to the methodology used by NP?

Grant Thornton's 2002 Annual Financial Review of Hydro

NP-272 NLH Page 19, System equipment maintenance - Given that:

"The lubricants, gases and chemicals expense was higher than anticipated (in 2002) because of increased production during the year at the Holyrood Plant";

and that,

"The increase for the transmission and rural operations division for 2002 as compared to 2001 is primarily due to certain non-recurring extra maintenance requirements in the Central and Northern regions of the Province during 2002",

Is it reasonable to conclude that costs in these areas should be reduced in 2004, and if so, by how much?

NP-273 NLH Table on Page 20 - Please provide a similar table showing a breakdown of the forecast costs for 2003 and 2004

NP-274 NLH Page 20, last paragraph – Please provide a breakdown of costs related to annual routine maintenance and structures and equipment for 2001, 2002 and forecast 2003 and 2004, together with an explanation for changes from year to year.

NP-275 NLH Page 21, last paragraph under "Transportation" – Please provide a reconciliation between:

(1) The number of vehicles for 2001 and 2002 as shown in the Grant Thornton Report; and,
(2) The list of vehicles by class and location for 2001 and 2002 contained in Response to NP-24 NLH.

NP-276 NLH Page 21, last paragraph under "Transportation" – Please provide a listing of Hydro's mobile equipment units for 2001 and 2002 and forecast 2003 and 2004.

NP-277 NLH Page 40, Reliability Centered Maintenance (RCM) Approach for Transmission and Rural Operations - Please provide particulars of the RCM programs to be put in place in 2003 for distribution systems, diesel plants and terminal stations; the RCM principles for gas turbines and transmission systems established in 2003; the cost savings and/or productivity improvements expected in each case; and, specifics as to how these expected cost savings and/or productivity improvements have been incorporated into the 2004 test year forecast.

NP-278 NLH Pages 40-41, Other Initiatives – Please quantify the benefits expected in 2003 and future years associated with these other cost control/productivity initiatives, and how these have been factored into Hydro's 2004 test year revenue requirement forecast.

NP-279 GT Schedule 1 – What would Hydro's regulated earnings, return on equity and return on rate base have been in 2002 had Hydro's total other costs, net of allocations, for 2002 ($91,083,000) been limited to those used by the Board in the 2002 test year for rate setting purposes ($85,697,000)?

D. Bowman Prefiled Evidence

NP-280 CA In reference to Mr. D. Bowman's prefiled evidence, page 13, lines 5 to 8, does Mr. Bowman believe that NP should operate its high cost peaking units when there is lower cost generation available on the island interconnected system?

NP-281 CA Billing under the Sample rate shown in Exhibit RDG-2, page 15 would result in all NP energy consumption during most of the non-winter months being priced at 3.44 ¢ per kWh. Given the short-run cost of producing energy for all months of the year is 5.13 ¢ per kWh, does Mr. Bowman believe the Sample Rate promotes efficiency?

Other

NP-282 NLH Further to NP-170 NLH: Provide the actual and weather adjusted native load for the years 1991-2002 as defined in the Sample Rate for Newfoundland Power. The weather adjusted native load should reflect the NP actual maximum load plus the estimated weather adjustment. The response should be provided in the following format:

Year	Actual NP Maximum Native Load (MW) (A)	Weather Adjustment (MW) (B)	Weather Adjusted NP Native Load (MW) (C=A+B)
1991			
1992			
1993			
1994			
1995			
1996			
1997			
1998			
1999			
2001			
2002			