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500 Columbus Drive
P. O. Box 12400
St. John's, NF
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Attention: Ms. Maureen P. Greene, Q.C.
Vice-President Human Resources, General Counsel & Corporate Secretary

Re: Newfoundland and Labrador Hydro 2003 General Rate Application

Dear Ms. Greene:

Attached are Information Request Numbers PUB 1 to PUB 75 relating to this application. Please note that for convenience, I am also forwarding these requests to all parties electronically.

If you have any questions, please do not hesitate to contact Ms. Doreen Dray at 726-3037 or by e-mail at ddray@pub.nf.ca.

Sincerely,

Original Signed By

Cheryl Blundon

Director of Corporate Services and Board Secretary

cc 2003 NLH GRA Distribution Listing
CA Dennis Browne, Q.C., Fax: 754-3800
IC Janet M Henley-Andrews, Q.C. Fax: 722-4565
Joseph S. Hutchings, Q.C. Fax: 634-8247
NP Ian Kelly, Q.C., Gerard Hayes Fax: 737-2974
LC Edward Hearn, Q.C. Fax: 944-5494

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

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

INFORMATION REQUESTS

Mr. Robert D. Greneman’s Evidence:

- PUB 1 NLH.** Please provide Exhibit RDG-1, Hydro’s COS study, in electronic format with all related spreadsheets, data and links in working format.
- PUB 2 NLH.** On page 3 of Mr. Greneman’s Evidence, he referred to the functionalization of General Plant as being based on generation, transmission, distribution and customer-related expenses. Please provide all studies, documents and worksheets that would support this change in the functionalization of General Plant in Hydro’s COS study instead of the use of direct plant ratios; special attention should be given to explain why labour costs are now used in the functionalization.
- PUB 3 NLH.** Please provide all studies, documents, data, calculations and workpapers for the 2004 load forecast used in Hydro’s COS study.
- PUB 4 NLH.** In reference to page 8 of Mr. Greneman’s Evidence, please provide all studies, documents, data, calculations and workpapers used in developing Energy Allocation Factors, including an explanation of how losses were calculated for each of the systems.
- PUB 5 NLH.** Page 6, lines 11 to 12 of Mr. Greneman’s Evidence describes the cost of the mini-hydro site at Roddickton as being assigned to the demand-related Rural Production and Transmission function. Please verify and

explain the Cost Entries for Roddickton in Exhibit RDG-1, Schedules 2.2A, 2.3A, 2.4A and 2.5A, as it is shown as zero.

- PUB 6 NLH.** Please provide the Fuel Analysis and all underlying documentation and workpapers used in prorating Fuel Inventory for each of the systems as indicated in Exhibit RDG-1, Schedule 1.1, page 2 of 2.
- PUB 7 NLH.** Please provide all studies, documents, data, calculations and workpapers used in the Calculation of Firming Up Charge for Island Interconnected as shown on Schedule 1.4 of Exhibit RDG-1.
- PUB 8 NLH.** Please provide all studies, documents, data, calculations and workpapers that support the Calculation of Transmission Wheeling Charges for Island Interconnected as shown on Schedule 1.5 of Exhibit RDG-1.
- PUB 9 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating each of the systems' expenses and expense credits as listed on Schedule 2.1 (A, B, C, D, and E) of Exhibit RDG-1.
- PUB 10 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the Total Amount of each of the items listed for each of the systems' plant in service as shown on Schedule 2.2 (A, B, C, D, and E) of Exhibit RDG-1.
- PUB 11 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the Total Amount of each of the items listed for each of the systems' net book value as shown on Schedule 2.3 (A, B, C, D, and E) of Exhibit RDG-1.
- PUB 12 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the Total Amount of each of the items listed for each of the systems' Operating and Maintenance Expenses as shown on Schedule 2.4 (A, B, C, D, and E) of Exhibit RDG-1.

- PUB 13 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the Total Amount of Cash Working Capital, Inventory/Supplies, Deferred Charges for each of the systems as shown on Schedule 2.6 (A, B, C, D, and E) of Exhibit RDG-1.
- PUB 14 NLH** Please provide all studies, documents, data, calculations and workpapers used in developing the Demand Allocation Factors for each of the systems as referenced on page 9 of Mr. Greneman's Evidence and shown on Schedules 3.1 (A, B, C, D, and E) of Exhibit RDG-1. Include an electronic copy of each schedule with all links and related data and spreadsheets in working format.
- PUB 15 NLH.** Please provide all studies, documents, data, calculations and workpapers used in developing Schedule 3.3A of Exhibit RDG-1, "Allocation of Specifically Assigned Amounts to Classes of Service, Island Interconnected."
- PUB 16 NLH.** Please provide in electronic format all workpapers used in calculating the Basis of Allocation to Class of Service Schedule 3.1 (A, B, C, D, and E) of Exhibit RDG-1, including all related worksheets and data with their links in working format.
- PUB 17 NLH.** Please provide all studies and workpapers used in developing the functionalization and classification ratios shown on Exhibit RDG-1, Schedules 4.1, page 2 of 2, Distribution. Please provide this schedule in electronic format with related data and worksheets, and with all links in working format.
- PUB 18 NLH.** Please provide all studies, documents, data, calculations and workpapers with detailed information in regard to Power Purchases as described in Schedule 4.4 of Exhibit RDG-1.

Mr. Sam D. Banfield's Evidence:

- PUB 19 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the approximated 7.6% flow-through increase in rates for rural customers on the Island Interconnected System as stated in Mr. Banfield's Evidence, page 7, lines 14 to 17.
- PUB 20 NLH.** Please provide all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on Mr. Banfield's Schedule I, "Impact of Proposed Rates on Annual Electricity Cost for 2004-2008, Burgeo Library/School."
- PUB 21 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the approximated 7.6% flow-through increase in rates for customers on the L'Anse au Loup System as stated on Mr. Banfield's Evidence, page 8, lines 19 to 22.
- PUB 22 NLH.** Please provide all studies, documents, data, calculations and workpapers used in calculating the approximated 7.6% flow-through increase in rates for Isolated Rural Domestic Customers on the L'Anse au Loup System, as stated on Mr. Banfield's Evidence, page 9, lines 30 to 31 and page 10, lines 1 to 5.
- PUB 23 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 through 13 of Mr. Banfield's Schedule II, "Impact of Proposed Rates on Annual Electricity Cost for 2004."
- PUB 24 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on Table 3 on page 11 of Mr. Banfield's Evidence, "Target Cost Recoveries for Isolated Rural Domestic Customers – Government Agencies."

- PUB 25 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on Table 4 on page 12 of Mr. Banfield's Evidence, "Target Cost Recovery Levels for Small & Large G.S. Customers."
- PUB 26 NLH.** Mr. Banfield's Evidence, page 14, lines 5 to 10, referenced the impact of proposed rates for isolated rural street and area lighting service, excluding Government departments. He stated, "...rates for this service will increase on average by 12% resulting in an average monthly increase of \$12 in 2004...." Please provide all studies, documents, data, calculations and workpapers used in calculating these values.
- PUB 27 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on Table 5 on page 14 of Mr. Banfield's Evidence, "Target Cost Recoveries for Street and Area Lighting Service."
- PUB 28 NLH.** Mr. Banfield's Evidence, page 14, lines 17 to 21, referenced the impact of proposed rates for isolated rural street and area lighting service, Government departments. He stated, "...rates will decrease on average by 35.6% resulting in an average monthly decrease of \$44 in 2004...." Please provide all studies, documents, data, calculations and workpapers used in calculating these values.
- PUB 29 NLH.** Mr. Banfield's Evidence, page 15, lines 2 to 7, referenced the impact of proposed rates for isolated rural street and area lighting service, Government agencies. He stated, "...customers will see an average increase of 22.9%, resulting in an average monthly increase of \$8 in 2004...." Please provide all studies, documents, data, calculations and workpapers used in calculating these values.

- PUB 30 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 through 3 of Mr. Banfield's Schedule III, "Comparison of Rates Schedules 2004-2008, Isolated Systems."
- PUB 31 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 through 34 of Mr. Banfield's Schedule IV, "Impact of Proposed Rates on Annual Electricity Cost" for the years 2005-2008.
- PUB 32 NLH.** On Mr. Banfield's Evidence, page 15, lines 28 to 31 and page 16, lines 1 to 3, he stated that as a result of Hydro's new rate proposal that eliminates all preferential rates and implements higher cost recovery targets for some customer over the next 5 years, there will be an estimated \$450,000 reduction of the rural deficit in 2004. When fully implemented the estimated reduction would be \$2.3 million. Please provide all studies, documents, data, calculations and workpapers used in calculating these values.
- PUB 33 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on Table 6 on page 17 of Mr. Banfield's Evidence, "Target Cost Recoveries, Labrador Interconnected System."
- PUB 34 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 through 6 of Mr. Banfield's Schedule V, "Impact of Proposed Rates on Annual Electricity Cost for 2004" for Happy Valley/Goose Bay and Labrador West.
- PUB 35 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 to 2 of Mr. Banfield's Schedule VI, "Comparison of Rate Schedules 2004-2008, Labrador Interconnected."

- PUB 36 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers pertaining to the calculated values shown on each of pages 1 through 20 of Mr. Banfield's Schedule VII, "Impact of Proposed Rates on Annual Electricity Cost" for 2005-2008 for Happy Valley/Goose Bay and Labrador West.
- PUB 37 NLH.** Please provide, in electronic format, Table 8 of Mr. Banfield's Evidence, page 19: "Comparison of Revenues Based on Existing and Proposed Rates 2004," with all related data, calculations and worksheets, and all links in working format.
- PUB 38 NLH.** Please provide, in electronic format, Table 9 of Mr. Banfield's Evidence, page 20: "Forecast RSP," with all related data, calculations and worksheets, and all links in working format.
- PUB 39 NLH.** Please provide, in electronic format, Table 10 of Mr. Banfield's Evidence, page 21: "2004 Projected End Customers Impacts," with all related data, calculations and worksheets, and all links in working format.
- PUB 40 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers used in performing the rate design shown in the "Rate Schedules 2004" Tab, in Hydro's Application, from the results of Hydro's COS study. Please include a working electronic spreadsheet that performs the calculation of these proposed power rates to be charged by Newfoundland and Labrador Hydro.
- PUB 41 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers used in performing the rate design shown in the "Rate Schedules 2005" Tab, in Hydro's Application, from the results of Hydro's COS study. Please include a working electronic spreadsheet that performs the calculation of these proposed power rates to be charged by Newfoundland and Labrador Hydro.

- PUB 42 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers used in performing the rate design shown in the “Rate Schedules 2006” Tab, in Hydro’s Application, from the results of Hydro’s COS study. Please include a working electronic spreadsheet that performs the calculation of these proposed power rates to be charged by Newfoundland and Labrador Hydro.
- PUB 43 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers used in performing the rate design shown in the “Rate Schedules 2007” Tab, in Hydro’s Application, from the results of Hydro’s COS study. Please include a working electronic spreadsheet that performs the calculation of these proposed power rates to be charged by Newfoundland and Labrador Hydro.
- PUB 44 NLH.** Please provide the basis and all studies, documents, data, calculations and workpapers used in performing the rate design shown in the “Rate Schedules 2008” Tab, in Hydro’s Application, from the results of Hydro’s COS study. Please include a working electronic spreadsheet that performs the calculation of these proposed power rates to be charged by Newfoundland and Labrador Hydro.

Concerning the Evidence of Kathleen C. McShane

- PUB 45 NLH.** Please provide all available information concerning the capital structures of other government-owned or cooperatively owned electric generation and/or transmission utilities in North America.
- PUB 46 NLH.** Please provide all available information concerning the earned rates of return on rate base and on equity capital achieved by other government-owned or cooperatively owned electric generation and/or transmission utilities in North America.

- PUB 47 NLH.** Referring to page 3, lines 25-28 and page 4, lines 1-3: Please explain and illustrate why you agree that Hydro's approach to estimating interest expense explicitly accounts for the timing differences between the receipt of cash and payment of interest.
- PUB 48 NLH.** Please provide the most recent DBRS and S&P ratings and reviews for NLH.
- PUB 49 NLH.** Referring to footnote 5, page 12: Please provide a complete explanation of the extent to which the Province, as NLH's equity owner, should receive rate of return compensation for risks that Provincial policy imposes on NLH.
- PUB 50 NLH.** Referring footnote 6, page 14: Please provide a complete explanation, together with any documentation, of the extent to which the referenced S&P guidelines pertain to government-owned electric utilities in Canada and the U.S.
- PUB 51 NLH.** Referring to page 17, lines 22-26: Please provide a detailed explanation of (and reconciliation between) Hydro's regulated capital structure of 86% debt and its consolidated Corporate capital structure of less than 70% debt.
- PUB 52 NLH.** Should the debt guarantee fee paid to NLH's equity owner be considered to be a portion of (or in some way related to) the equity owner's return on investment. Please provide a complete explanation of this answer.
- PUB 53 NLH.** Referring to page 21, footnote 14: Please provide all authority, support and precedent for treating preferred stock as 50% debt and 50% common equity.
- PUB 54 NLH.** Referring to page 22, lines 6-10: If Hydro is forecasting a regulated capital structure of 86% (page 17, line 22), does this mean that the proposed common equity return on forecasted equity capital (including

the debt guarantor fee) is 23.2% $((8.65-5.4) \div 14\%)$? Please provide a complete explanation of your answer.

- PUB 55 NLH.** Referring to page 23, lines 3-4: Please explain and illustrate why the use of an 86% debt ratio rather than an 80% debt ratio raises the equity return from 12.25% to 14.2% (instead of raising it to 17.5%).
- PUB 56 NLH.** Referring to page 24, lines 10-14: Assuming that the unconditional debt guarantee were eliminated, would any of these standards take on greater importance in making a rate of return determination, or are they equally important both with and without the guarantee. Please explain.
- PUB 57 NLH.** Referring to page 24, lines 10-14: Does the unconditional debt guarantee contribute to the attraction of capital and maintenance of financial integrity. Please explain.
- PUB 58 NLH.** Does the debt guarantee fee contribute to compensation to NLH's equity owner commensurate with risks? Please explain.
- PUB 59 NLH.** Does an unconditional debt guarantee influence the riskiness of debt and therefore the appropriate risk premium amount? Please provide a complete explanation of your answer.
- PUB 60 NLH.** Referring to page 27, lines 14-17: Please explain why analysis of historic risk premiums should consider the U.S. equity market rather than other world equity markets. Would the result be different if other world equity markets were considered? Please explain and document your answer.
- PUB 61 NLH.** Referring to page 33, lines 10-11: Please provide complete references to all the studies cited as well as copies of those that are available to you.

- PUB 62 NLH.** Referring to page 35, footnote 33: Please provide the specified source document and all updates to this source document.
- PUB 63 NLH.** Referring to page 36, table 5: Please provide a corresponding table for Canadian risk premiums.
- PUB 64 NLH.** Referring to pages 43-44: Provide detailed references to all authorities that equate the equity risks of LDCs to the equity risks of electricity generation and transmission enterprises.
- PUB 65 NLH.** Referring to page 48, lines 1-2: Please explain why a “cushion, or safety margin, for unanticipated capital market conditions” is needed by Crown Corporation that does not raise capital in public equity markets.
- PUB 66 NLH.** Referring to page 50, lines 15-28: Please explain the merit of using analysts’ forecasts in view Wall Street’s loss of credibility (page 34, line1). Would it be appropriate to discount analysts’ forecasts in this analysis if investors now discount these forecasts in forming their expectations? Please explain.
- PUB 67 NLH.** Page 51, footnote 50: Please provide all references to analyses of this matter published subsequent to Wall Street’s loss of credibility (page 34, line 1).
- PUB 68 NLH.** Referring to page 52, footnote 51: Please provide complete references to all of these studies together with copies of those available to you. Also, please provide all documentation that investors continue to accept the optimism of analysts’ forecasts in forming market prices.
- PUB 69 NLH.** Referring to page 53, lines 31-32: Assume that electric utility market/book ratios were 169% because investors expected returns on book value that exceeded the cost of capital by 69%. If that assumption were true, would it be appropriate for regulators to allow returns that exceeded the cost of capital by 69%. Please provide a complete explanation of your answer.

- PUB 70 NLH.** Referring to page 54, footnote 52: If investors price a utility's stock at a level reflecting return expectations that exceed the cost of capital, should regulators set allowed returns at a level sufficient to sustain that market price? Please explain your answer.
- PUB 71 NLH.** Referring to page 57, lines 11 and 15: Please provide a list of the 275 company and 90 company groups together with the complete analysis reducing these groups to the final 15.
- PUB 72 NLH.** Referring to page 57, footnote 55: Since the analysis ends with 2001, explain why the "recent purchase" of electric transmission assets is a relevant basis for removal. Do any of the companies in Schedule XXI own any regulated assets? If so, please explain.
- PUB 73 NLH.** Referring to Schedule I, please provide the referenced source document for this schedule and any updates.
- PUB 74 NLH.** Referring to Schedule XVIII, please provide any available updated data for this schedule together with copies of the IBES and Zacks source documents.
- PUB 75 NLH.** Refer to Schedule XXI: In your opinion, do investors, today, consider the cigarette industry to be "low risk"? Please state what the reported average values would be for each of the three specified periods if Rothmans was removed from the analysis.

DATED at St. John's, Newfoundland this 17 day of July 2003.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per

G. Cheryl Blundon
Board Secretary