

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 Rural Customers.

CONSUMER ADVOCATE’S ISSUES LIST
(Submitted October 6th, 2006)

In the Consumer Advocate’s submission, the following issues arose in this proceeding:

A. Issues Affecting Return

1. What is the return on equity that Hydro should be entitled to earn using the methodology approved by the Board in Order No. P.U. 14?
2. What is the appropriate 2007 forecast rate base?
3. What return on rate base should Hydro be entitled to earn?
4. Should Hydro be subject to an annual adjustment formula either as proposed by Hydro in Exhibit MGB-9 or otherwise?

B. Revenue Requirement Issues

5. What is Hydro's test year revenue requirement?
6. What operational cost reductions and efficiencies should be considered?
7. How do Hydro's operational costs compare to those of similar utilities?
8. What productivity allowance should be provided?
9. Has Hydro appropriately ensured and demonstrated that assets, liabilities, revenues and costs related to non-regulated activities are excluded from the 2007 Revenue requirement?
10. Are Hydro's current policies and procedures sufficient to ensure that rate payers are not impacted by non-regulated activities?
11. What is the appropriate hydraulic production forecast for the 2007 test year?
12. What is the appropriate forecast test year - No. 6 fuel price including foreign exchange issues?
13. Is Hydro's fuel purchasing strategy optimal from the perspective of keeping the revenue requirement as low as possible? Are there ways to improve upon it?

14. What is the appropriate conversion factor for No. 6 fuel at Holyrood for the 2007 test year?
15. What is the justification for the target reliability improvement of 20% and how do Hydro's reliability statistics compare to similar utilities?
16. What is Hydro's long-range integrated resource plan and how do the proposed expenditures at Holyrood, environmental initiatives such as low sulphur fuel, conservation, etc. fit with the plan?
17. Is Hydro's proposed conservation initiative consistent with good industry practice?
18. Is there an adequate planning process in place that will enable Hydro to pursue a least cost plan that takes into account all socio-environmental considerations to the long-term benefit of consumers and the general public?
19. Are all Hydro employees striving to meet the same goals? While senior level employees receive bonuses when KPI targets are met, are the necessary incentives in place to motivate regular staff toward the same goals?
20. Is the current level of the rural deficit and the forecast growth from \$37.1 million in 2005 to \$43.3 million in 2010 justified?
21. Are Hydro and NP making all efforts available to reduce overlap in the

delivery of transmission and distribution services?

C. Issues Related to Cost of Service and Rates, Rules and Regulations

22. Is the cost of service study consistent with methodologies that have been approved by the Board?
23. Is the proposed change in the cost of service study that group insurance and employee future benefits which were previously charged to A&G expenses be part of direct costs consistent with regulatory precedent and are customer impacts acceptable?
24. In light of the marginal cost study completed on Hydro's behalf, are rate designs for Newfoundland Power and the Industrial Customers promoting efficient consumption decisions, and are they consistent with Hydro's proposed conservation programs and Government environmental initiatives?
25. Is the rate stabilization plan (RSP) meeting its objectives and is it providing the correct incentives to encourage Hydro to properly forecast and manage its costs?
26. Do proposed modifications enable the RSP to better meet design objectives without creating unwanted incentives that are contrary to good utility practice?
27. Is the RSP unnecessarily complicated?

28. Can the NP generation credit be modified to be consistent with regulatory precedence in other jurisdictions and the lessons learned from competitive markets?
29. Should the NP generation credit be abandoned in favour of a contract approach whereby Hydro would purchase services from NP generation at prices reflecting the value of the service similar to Power Purchase Agreements with IPPs?
30. Can rates for rural customers who are currently not affected by the RSP be modified to better track costs and avoid, or smooth, the huge increases proposed in this application?

D. Other Issues

31. Such other issues as may arrive from the Evidence and Issues List of other parties as they may impact upon the domestic and general service customers of Hydro in the Province of Newfoundland and Labrador.

DATED at St. John's, Newfoundland & Labrador, this _____ day of October, 2006.

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