

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

AND IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro dated August 3, 2006 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 INFORMATION REQUESTS

CA-175-NLH to CA-211-NLH

CA-05-NP to CA-09-NP

**To: Board of Commissioners of Public Utilities
Suite E210, Prince Charles Building
120 Torbay Road
P.O. Box 12040
St. John’s, NL A1A 5B2
Attention: Ms. G. Cheryl Blundon,
Director of Corporate Services and Board Secretary**

CA-175-NLH With reference to NLH’s 2005 Annual Financial Statements and those of the four preceding years, the “Long-Term Debt” note accompanying these financial statements details the gross amounts of each of Hydro’s outstanding long-term debt issues and then deducts an amount for “sinking fund investments in own debentures” to get

an aggregate net amount outstanding for Hydro's long-term debt issues, but without indicating what amounts of the sinking fund investments are associated with each of the individual series of bonds/debentures that have some sort of sinking fund requirement. Therefore, in this connection, would you please address the following questions.

- (a) Describe what are the sinking fund provisions (especially amounts and dates) for each of Hydro's V, X, Y, AB, and AD debenture series and how these sinking fund provisions are met or carried out — that is, are specific debentures called in from investors or does the Company buy a certain amount of debentures in the bond market, and, in either case, does the Company hold the debentures in its Treasury or cancel them, or are the sinking fund arrangements handled in some other way? If the debentures are held in the Company's Treasury, what happens to the interest earned on them, and where does this interest show up in the Company's financial statements? Please describe any contingencies or discretionary elements with respect to the size and timing of these sinking fund obligations.
- (b) What is the ultimate economic effect of the operation of the sinking fund arrangements inquired about in (a)? Does the net interest expense of each of the affected issues go down over time as the sinking fund payments or investments are made?

If not, why not?

- (c) For each of the debenture series referred to in (a), what are the scheduled or required minimum sinking fund payments or investments for 2006, 2007, 2008, 2009, and 2010, and what are the dates (if any) associated with these requirements?
- (d) Please separate the figures for “Required repayments of long-term debt and sinking fund requirements over the next five years” on page 40 of the Company’s 2005 Annual Report between (i) Hydro and CF(L)Co amounts and, within the Hydro portion, (ii) separate the amounts between repayments (on debt maturities) and sinking fund requirements.

CA-176-NLH In the light of NLH’s projected rate base changes for its regulated Hydro activities and the operation of the sinking funds for the Hydro debt and other adjustments (if any) to the capital structure of the Company’s regulated Hydro operations, please provide an estimate of the gross size of the new debt financing that NLH will have to undertake, over each of the years 2006 through 2010, to support the regulated Hydro operations.

CA-177-NLH If we assume that all new debt issues (short-term or long-term) that NLH projects to make to support its regulated Hydro operations over the 2006 through 2010 period are completed at an interest rate of 5.00%, then what would be the Company’s estimate of the average

overall embedded debt cost (in percentage terms) during each of the years 2006 through 2010? Please provide the required schedules to explain/support the estimated cost rate calculation for each year.

CA-178-NLH Please provide Hydro's forecasted future embedded cost of debt for 2007 to 2010 inclusive in the same format as was provided in Hydro's response to IC-238-NLH in the 2003 Hydro GRA.

CA-179-NLH With regard to the response to CA 4 NLH, please provide all documentation between Hydro and the Board relating to Hydro's need for further direction from the Board before proceeding with collection and reporting of such measures for itself and the peer group annually beginning in 2005 consistent with the Mediation Agreement.

CA-180-NLH With regard to the response to CA 4 NLH (d), is this consistent with the mediation agreement that Hydro committed to during the previous application that performance relative to the peer group will be reported beginning in 2005?

CA-181-NLH With regard to the response to CA 11 NLH, who will take on the risk if the IC goes into default and is unable to pay; i.e., Hydro, remaining ICs, all ratepayers, taxpayers or someone else? Who is paying for the historical RSP plan balance following closure of the Abitibi mill in Stephenville?

- CA-182-NLH With regard to the response to CA 20 NLH, Hydro indicates that “the revenue requirement, as filed, reflects the lowest possible cost consistent with reliable service”. Does Hydro believe that current levels of reliability are inadequate given its proposal to target a 20% improvement in reliability against the current five-year historical base period (Exhibit JRH-1)? Please provide all information indicating that Hydro’s current levels of reliability are inadequate.
- CA-183-NLH With regard to the response to CA 26 NLH, does Hydro believe that inflation is the best indicator of the input price trend for its operations expenses identified in Chart 5 on page 13 of Mr. Martin’s evidence?
- CA-184-NLH With regard to the response to CA 7 NLH, what role would Hydro play in the development of Lower Churchill hydro project and the large-scale wind generation projects in Labrador? What recent expertise does Hydro have with regard to these technologies?
- CA-185-NLH With regard to the report entitled Strategic and Business Planning Processes for Newfoundland and Labrador Hydro (attached to CA-7):
- (a) On Page 6 it is stated that regulatory trends in other jurisdictions including streamlined reporting requirements and performance-based rate setting may be of particular interest. Please provide Hydro’s specific plan with regard to performance-based rate setting.

- (b) On page 12 it is stated that the purpose of the work identification and prioritization process is to ensure that only work of the highest value, consistent with the corporate strategic direction, is submitted for approval. Please reconcile this statement with the target reliability improvement of 20% in light of customer surveys that show 50% of customers prefer lower rates over higher reliability.
- (c) On page 19 it is stated that approximately 20 executive, senior managers and directors participate in the incentive plan. How do senior management staff encourage lower level staff to work toward improvement of the KPIs?

CA-186-NLH With regard to the response to CA 33 NLH, please provide all documentation related to customer inquiries and meetings with NP and the ICs on customer value of reliability.

CA-187-NLH The Decision and Order of the Board for P.U. 14, point 62 (page 163) states “The Board has authority and responsibility to ensure that adequate planning occurs for the production, transmission and distribution of least cost reliable power in the Province. While the Board will make no order at this time with respect to Integrated Resource Planning, the utilities may be required by the Board, consistent with its mandate, to participate in a generic process to address issues and benefits associated with Integrated Resource Planning”.

- (a) Has Hydro approached the Board concerning a generic hearing on integrated resource planning?
- (b) With regard to the response to CA 42 NLH, how much time is required prior to the competitive RFP process for Hydro to submit an integrated resource plan for Board review and approval?

CA-188-NLH With regard to the response to CA 56 NLH, please provide all information related to your review of reliability performance relative to available comparable utilities.

CA-189-NLH With regard to the response to CA 56 NLH, how did Hydro reach the decision to target a 20% reliability improvement when 50% of customers indicated in the customer survey that they want lower electricity rates over more reliable service?

CA-190-NLH With regard to the response to CA 31 NLH:

- (a) How does Hydro make decisions and recommendations on new supply alternatives such as the wind farm without an integrated resource plan?
- (b) How does Hydro ensure that long-term supply is maximizing value to consumers on the basis of cost and socio-environmental considerations?
- (c) Please provide the economic and socio-environmental justification for pursuing a second 25 MW block of wind power at this time (see October 2, 2006 Hydro News Release entitled

Newfoundland and Labrador Hydro Announces it will Issue a Second RFP for Additional Wind Power), and show how proceeding with the project at this time is consistent with Hydro's current resource plan.

- CA-191-NLH In its response to CA 48 NLH, Hydro states that the ICs have the sophistication to understand the overall effect of the RSP on the price signal:
- (a) Does Hydro believe that the RSP provides a better price signal than a tail-block energy charge set at Holyrood production costs?
 - (b) Please provide a comparison of the IC and NP price signal to Holyrood production costs in each of the past five years; i.e., for NP and the ICs, show tail-block energy charges, RSP adders and Holyrood production cost in each of the past five years.
- CA-192-NLH With regard to the response to CA 52 NLH, under the current regulatory regime (i.e., assuming no changes to the RSP), what would Hydro do if CFB Goose Bay operations decreased significantly? How is this different than the closing of the Abitibi mill in Stephenville?
- CA-193-NLH With regard to the report entitled *Strategic Goals and Objectives for Newfoundland and Labrador Hydro* dated April 2006 (attached to CA 5 NLH):

- (a) Page 3 references a business plan to be developed in 2006 to guide Hydro's diversification in the energy sector. Please provide a copy of this business plan.
- (b) On page 6 it is stated that the company is taking a phased approach to test the technical and economic viability of the projects to ensure consumers receive a cost-effective energy source. Please reconcile this statement with the October 2, 2006 News Release by Hydro stating that another 25MW wind farm is being solicited in October 2006.
- (c) On page 12 Hydro references the Federal Government Purchase of Electricity from Renewable Resources Program. Please provide details of this program.

CA-194-NLH

Please provide a table comparing revenue requirement and corresponding rate increases for NP, ICs and Rural as proposed in the Application to revenue requirement and corresponding rate increases if Hydro's operations and maintenance expenses (identified in Chart 5 on page 13 of Mr. Martin's evidence) were allowed to increase in 2007 at the average real increase experienced since 2002 through the end of 2006. For example, if inflation averaged 3%/year (i.e., GDP deflator in 2006 is 12% greater than in 2002), and Hydro's operations and maintenance expenses were flat (i.e., expenses in 2006 were the same as expenses in 2002), expenses for the 2007 test year would be set at 2006 actual expenses multiplied by the forecast GDP deflator for 2007 less 3%.

- CA-195-NLH Hydro is proposing very large rate increases for its rural customers who are not affected by the RSP. How might Hydro re-design these rates in order to smooth rate increases for these customers in the future?
- CA-196-NLH Please file a calculation of the RSP adder applied to the rates of the ICs and NP on the basis of actual data for 2005. Please show the calculation with and without the addition of the potential amendment to stabilize Rural diesel fuel and Rural power purchase price variations.
- CA-197-NLH With regard to the response to CA 61 NLH (d), please provide a breakdown of the forecast \$5 million increase in the cost of fuel in terms of the number of barrels forecast to be consumed and the average price per barrel for each of the years 2005 through 2010.
- CA-198-NLH With regard to the response to CA 14 NLH concerning the treatment of NP generation (Exhibit RDG-2):
- (a) Was an option considered where costs would be assigned in the cost of service study on the basis of “net” rather than “gross” customer demand (referred to as native load) with no generation credit?
 - (b) Would this approach be more consistent with treatment in other jurisdictions?
 - (c) Would this approach avoid the need to derive a “value” of NP generation?

- (d) What are the pros and cons of this alternative with respect to NP- and IC-owned generation?
- (e) What would be the impact on cost allocations to Rural, IC and NP customer classes?
- (f) How might such an alternative be implemented?

CA-199-NLH In the responses to CA-66-NLH and CA-67-NLH (Round 1 RFIs not yet responded to), please ensure that actual data is provided. Please do not submit any data that has been normalized or otherwise adjusted in any manner. Provide this data in both hard copy and Excel spreadsheet format.

CA-200-NLH In the response to CA-68-NLH (Round 1 RFI not yet responded to), please provide the forecast of revenue by customer class by billing period for the fiscal years 1996 to 2008, inclusive. Provide this data in both hard copy and Excel spreadsheet format.

CA-201-NLH Please provide a copy of the most recent contract for the supply of capacity and energy to Newfoundland Power.

CA-202-NLH In the response to CA-70-NLH, there is an indication that Hydro uses Microsoft Excel in preparing operating load forecasts. Please respond to the following:

- (a) Is an operating load forecast simply a load forecast? If not, please explain the difference between a load forecast and an operating load forecast?
- (b) How frequently is the load forecast updated?
- (c) How long is the forecast period for a load forecast?
- (d) If the answer to (c) is less than ten years, please explain why this duration is adequate for capacity planning purposes?
- (e) Provide a copy of the Microsoft Excel spreadsheets that have been used to develop the last three load forecasts. Clearly identify all variables, parameters, and inputs. Identify the source of all inputs. Please ensure that the spreadsheets are not password protected and that none of the cells are locked.

CA-203-NLH In the response to CA-73-NLH, it is indicated that the Public Tender Act requires Hydro to tender for fuel, rather than engaging in its own fuel purchases. Please provide a copy of the legal opinion that supports Hydro's contention that purchasing fuel on the futures market, or using any form of hedging strategy, violates the Public Tender Act.

CA-204-NLH Please provide a copy of each of the last three tender contracts that Hydro entered for fuel purchases for Holyrood.

- CA-205-NLH In the response to CA-80-NLH, Hydro has interpreted items C, E, F, H, I, and J as being either Not Applicable or Negligible. If a calculation cannot be made, explain why. Please also provide all figures including those regarded by Hydro as Negligible.
- CA-206-NLH With regard to the response to CA-03-NLH (b) please confirm that the correlation between expenses dedicated to system improvements and system reliability has not been quantified, and advise;
- (a) Whether NLH intends to perform a study or analysis quantifying the relationship between same, and;
 - (b) If NLH intends to do so, when would the reports of any such study or analysis likely be available?
- CA-207-NLH With regard to the response to CA-03-NLH (d), please confirm that the correlation between expenses dedicated to redesigned maintenance and system reliability has not been quantified, and advise;
- (a) Whether NLH intends to perform a study or analysis quantifying the relationship between same, and;
 - (b) If NLH intends to do so, when would the reports of any such study or analysis likely be available?

CA-208-NLH	With regard to the response to CA-87-NLH, please provide particulars as to the amount anticipated to be charged to CFLCo in respect of each of the Executive Members identified in CA 87 NLH.
CA-209-NLH	With regard to the response to CA-94-NLH, when is it anticipated that the 2005 Audit report will be available?
CA-210-NLH	With regard to the responses to CA-120-NLH and CA-121-NLH, can Hydro quantify the value of the efficiency enhancements cited in the replies to CA-120-NLH and CA-121-NLH.
CA-211-NLH	With regard to the response to CA-145-NLH, please provide copies of any reports or opinions prepared by Hydro's benefit consultants providing the basis for the 2006 and 2007 projections as to Group Insurance Costs.
CA-05-NP	Please provide marginal production costs for NP thermal generating units in cents/KWh.
CA-06-NP	In the response to CA-2.0-NP (Total Revenue From Rates 1996 – 2005), there is an indication that the data was normalized. Please explain what normalization was applied to the data. Re-file the response to this RFI without any normalization (i.e., the actual revenue by

customer class by billing period for the fiscal years 1996 to 2005, inclusive). Provide this data in hard copy and in Excel spreadsheet format.

CA-07-NP In the response to CA-3.0-NP (Total Revenue From Rates 2006), there is an indication that the data was normalized. Please explain what normalization was applied to the data. Re-file the response to this RFI without any normalization (i.e., the actual revenue by customer class by billing period for the fiscal year 2006). Provide this data in hard copy and in Excel spreadsheet format.

CA-08-NP For the fiscal period 1996 to 2008 (except where noted), please provide the following data in hard copy and in Excel spreadsheet format:

- (a) Forecasts of usage by customer class by billing period.
- (b) Actual usage by customer class by billing period for the period January 1996 to August 2006.
- (c) Forecasts of total purchases from Newfoundland and Labrador Hydro by billing period. Provide response in MW, MWh, and dollars.
- (d) Actual purchases from Newfoundland and Labrador Hydro by billing period for the period January 1996 to August 2006. Provide response in MW, MWh, and dollars.

CA-09-NP

In NLH's response to CA-70, Hydro indicates that the inputs used in developing its load forecast are based on "a combination of direct customer input and/or Hydro's analysis for the interconnected and isolated rural systems. The most critical inputs for the operating load forecast are for those customers with large power and energy requirements from Hydro...". On the assumption that NP qualifies as a customer with large power and energy requirements, please provide the following information:

- (a) Does NP develop a load forecast?
- (b) If yes:
 - i. What program does NP use to develop the load forecast?
 - ii. What inputs are used in the model?
 - iii. What inputs are most critical to the outcome of the modelling exercise?
 - iv. What period does the most recent load forecast cover?
 - v. Does NP provide the results of this load forecast to Hydro?
 - vi. Please provide a copy of the most recent load forecast prepared by NP?
- (c) If no, what inputs does NP provide to Hydro to assist it in preparing the load forecast it refers to in its response to CA-70-NLH?

DATED at St. John's, in the Province of Newfoundland and Labrador, this _____
day of October, 2006.

CONSUMER ADVOCATE

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cc: Newfoundland and Labrador Hydro
Attention: Ms. Gillian Butler, Q.C., & Mr. Geoffrey P. Young

Newfoundland Power
Attention: Mr. Ian Kelly, Q.C., & Mr. Peter Alteen

Industrial Customers
Attention: Mr. Paul L. Coxworthy & Mr. Joseph S. Hutchings