

**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-212-NLH to CA-215-NLH**

**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-212-NLH
- (a) With reference to Hydro’s response to CA-177-NLH, when will the updating of Hydro’s five-year financial projection be completed?
  - (b) Is there any reason to believe, with the figures in this updated five-year financial projection and a reasonable forecast of

interest rates through 2010, that Hydro will not be able to make an estimate of its annual embedded cost of debt for its regulated business for the years 2008, 2009, and 2010?

- CA-213-NLH
- (a) Has Hydro already placed its planned \$225 million debt issue for 2006? If so, what are the terms of this issue – that is, coupon rate, maturity, sinking fund requirements, discount of issue price from par, etc.? If not, when does Hydro expect to place or sell this planned debt issue?
  - (b) Does Hydro plan to update its projected 2007 embedded cost of debt, as originally determined in Schedule IV of Mr. Bradbury's Finance and Accounting: Evidence, based on the realized coupon rate on the \$225 million debt issue expected before the end of 2006? If not, why not?
- CA-214-NLH
- (a) Please reconcile (i) Schedule IV of Mr. Bradbury's Finance and Accounting: Evidence with (ii) the last schedule in Hydro's response to NP-27. The former projects the planned \$225 million debt issue in 2006 (to mature in 2016) to carry a coupon rate of 4.50%. The latter uses a 5.00% coupon rate for the same planned issue, but, in every other respect including the resultant embedded cost of debt, is **identical** to the former schedule. How can a changed coupon rate assumption for a \$225 million debt issue put on Hydro's balance sheet during 2006 not change the calculated embedded cost of debt for 2007?

- (b) Please explain why the coupon rate referred to in (a) was changed and provide the evidentiary basis for this change in light of the fact that both 10-year and long-term Canadian interest rates have generally declined by a significant amount over the period from July 2006 to the present.

CA-215-NLH

In the second paragraph of its response to NP-21 where Hydro is addressing the issue of how its debt amounts and costs are separated between its regulated and its non-regulated businesses, Hydro states that it “performs” an “iterative process” involving “successive revenue and interest runs ... until the resultant revenue requirement no longer impacts on the weighted average cost of debt.” With respect to this “iterative process”:

- (a) Please explain what variable (or variables) is (are) being “solved for” or uncovered through the “successive runs,” and
- (b) Given (i) that the division of Hydro’s consolidated capital structure components between its regulated and non-regulated entities is a **deterministic** process (reference response to CA-91), and (ii) given that the estimation of Hydro’s weighted average cost of capital and its embedded cost of debt (references Exhibit MGB-1 and Schedule IV of Mr. Bradbury’s Finance and Accounting: Evidence, respectively) are also **deterministic** processes, and (iii) given that Hydro’s **deterministically-determined** weighted average cost of capital

is taken to be the cost of its (actual or notional) non-regulated debt (reference response to CA-103), why is any “iterative process” needed “to determine the debt balances and interest associated with the non-regulated debt pools” (reference RPI NP-21 and Hydro’s response to it)?

**DATED** at St. John’s, in the Province of Newfoundland and Labrador, this \_\_\_\_ day of October, 2006.

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**CONSUMER ADVOCATE**

**Thomas Johnson**

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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**