

1 **IN THE MATTER OF** the *Electrical Power*  
2 *Control Act*, SNL 1994, Chapter E-5.1  
3 (the “*EPCA*”) and the matter of the *Public*  
4 *Utilities Act* RSNL 1990, Chapter P-47  
5 (the “*Act*”);  
6

7 **AND**  
8

9 **IN THE MATTER OF** an application by  
10 Newfoundland and Labrador Hydro for approval  
11 of, *inter alia*, rates to be charged its customers  
12 (the “*Application*”).  
13  
14

## 15 **INFORMATION REQUESTS**

### 16 **Cost of Service Issues**

#### 17 **PUB 1 NLH** 18 19

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21 On page 1 of the Cost of Service Evidence, it is stated: “None of the recommendations or results  
22 from the Newfoundland Power Generation Report, Rate Stabilization Plan Report or Marginal  
23 Cost Study have been included in the COS.” Please explain in detail why none of these  
24 recommendations or results were included in the COS. Also, please provide as exhibits for the  
25 record, the Rate Stabilization Plan Report and the Marginal Cost Study.  
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#### 27 **PUB 2 NLH** 28

29 Please provide all data and documents, including forecast sales and losses by customer class,  
30 used in developing the energy allocation factors of the cost of service study.  
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#### 32 **PUB 3 NLH** 33

34 Please provide all data and documents used in developing the demand allocation factors of the  
35 cost of service study.  
36

#### 37 **PUB 4 NLH** 38

39 Please provide all data and documents used in developing the customer allocation factors of the  
40 cost of service study.  
41

#### 42 **PUB 5 NLH**

43 Please provide all data and documents used to allocate services and meter expenses in the COS,  
44 which according to the Cost of Service Evidence, page 4, are allocated based on weighted  
45 customers.

**PUB 6 NLH**

Throughout the Schedules of the Cost of Service Study, customer allocations are based on zero-intercept ratios. Please provide a copy of the reports or studies, together with all supporting data, that were used to develop these zero-intercept ratios.

**PUB 7 NLH**

Please provide an electronic copy in Excel format, with all links intact, of Exhibit RDG-1, including all schedules of the COS (Schedules 1.1 - 1.6, Schedules 2.1 – 2.6, Schedule 3.1 – 3.3, and Schedule 4.1 – 4.4).

**PUB 8 NLH**

Please provide all documents, workpapers and calculations in Excel format used to developed the Functionalization & Classification Ratios shown on Schedule 4.1, pages 1 and 2.

**PUB 9 NLH**

On Table 1 at page 8 of the Cost of Service Evidence, the Energy Rate for NP is shown under the 2004 Revenue Requirement and the Proposed 2007 Revenue Requirement. Please explain why a decrease is proposed for the first 250 GWh and a large increase is proposed for the second block, rather than a proportionate increase for both blocks. Please explain the logic of why the increased price of fuel is the principal reason for the greater difference between the blocks.

**PUB 10 NLH**

Regarding the use of a 1CP factor to allocate costs to classes, other than the precedent of the Board's acceptance of this factor in NLH's last case, list and discuss any reasons for continuing to favour this factor for allocating generation and transmission costs.

**PUB 11 NLH**

Please explain any reasons (other than precedent) for favouring the 1CP method to allocate the demand component of primary and secondary distribution lines as opposed to other methods such as NCP.

**PUB 12 NLH**

Please explain why weighted customers is the appropriate allocation factor for services and meters, but not for the customer component of lines, transformers and accounting expenses.

**PUB 13 NLH**

Please explain why it is more accurate to allocate Group Insurance and Employee Future Benefits costs as direct costs than to charge them as A&G expenses.

**PUB 14 NLH**

Please explain in detail why the logic of pricing NP's second rate block at the test year cost of fuel at Holyrood does not apply equally to industrial rates.

**PUB 15 NLH**

Would an inverted block rate for industrial customers, with the second block priced at Holyrood fuel cost, provide a proper price signal for the conservation of natural resources. Please fully explain your answer.

**PUB 16 NLH**

Please reconcile the logic for charging NP an incremental energy rate equal to Holyrood fuel costs while crediting NP's hydraulic generation with the average embedded cost of Hydro's generation.

**PUB 17 NLH**

Please discuss whether it is more important for Hydro to have a rate structure that provides meaningful price signals as to the conservation of capacity or a rate structure that provides meaningful price signals as to the conservation of energy.

**PUB 18 NLH**

Please provide any evidence known to you suggesting that Hydro's future fuel oil prices are likely to be in the range of 50% of the \$55/bbl March 2006 forecast.

**PUB 19 NLH**

Please explain whether Bonbright contends that rate stability and predictability at prices below marginal cost are important objectives.

**PUB 20 NLH**

Please explain whether (and why) customers may be entitled to marginal energy rates substantially below the marginal cost of energy by virtue of their high load factor.

**PUB 21 NLH**

Please explain whether (and why) a rate structure with marginal energy rates substantially below the marginal cost of energy is likely to provide consumers with economically efficient price signals.

**PUB 22 NLH**

Please state the costs incurred by Hydro in conjunction with obtaining the various marginal cost pricing studies and reports prepared by NERA.

**DATED** at St. John's, Newfoundland this 18<sup>th</sup> day of September 2006.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

Per

G. Cheryl Blundon  
Board Secretary