

1 Q. In Newfoundland Power Inc.'s February 28, 2006 Energy Plan
2 Submission, it states at page 7:
3 **"Currently, Newfoundland Power maintains and operates approximately**
4 **80% of all distribution support structures (poles and wires) and serves**
5 **85% of all customers in the province. The current industry structure**
6 **contains duplication between Hydro and Newfoundland Power. Overlap**
7 **exists in the delivery of energy over transmission and distribution lines,**
8 **and the provision of customer service, both of which have an impact on**
9 **customer electricity rates. The resources necessary to perform these**
10 **functions are, to a significant degree, duplicated by Hydro for a much**
11 **smaller group of assets and customers."**

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13 a. What does Hydro propose in order to remove this duplication with its
14 attendant costs.

15 b. Does Hydro believe that the continued existence of duplication
16 referred to by Newfoundland Power Inc. in the above statement runs
17 contrary to the power policy of the province as expressed in part at
18 Section 3 (b) of the Electrical Power Control Act, 1994 SNL 1994,
19 Chapter E-51 as amended. If yes, please explain what in Hydro's view
20 must be done about it. If no, explain this position.

21 c. Please explain to what extent the existing duplication impacts upon
22 the electricity rates paid by consumers in the province.

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24 A. a. Hydro does not agree that there is a significant duplication that results
25 in additional costs. Hydro and Newfoundland Power serve different
26 service territories - Newfoundland Power has no presence on the
27 Great Northern Peninsula, large areas of the South Coast of the
28 Island, or any portion of Labrador. Furthermore, Newfoundland Power

1 has no isolated electrical systems. Hydro is able to provide fully
2 integrated service in these areas and achieves economies by having
3 regional offices that provide services to its generation, transmission,
4 interconnected distribution, and isolated operations.

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6 Where coordination of activities is possible between Hydro and
7 Newfoundland Power, those opportunities have been pursued.

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9 b. The power policy set out in the Electrical Power Control Act requires
10 that power be supplied at least cost. A proper consideration of the
11 supply of least cost power must consider a multitude of factors
12 including the geography served, the industry structure, costs
13 structures and rates of return on rural assets in the utility companies,
14 and the nature and scale of the plant owned and maintained. While
15 there may be some overlap or duplication in some instances of
16 distribution and customer service elements of the respective public
17 utilities, there can also be synergies achieved by having regional
18 centers and work crews that provide services to integrated elements
19 of the company. For example, a work crew that normally would
20 provide transmission maintenance services can cost effectively
21 provide emergency capability for distribution requirements. Hydro
22 provides service to its rural customers in an efficient manner and with
23 a minimum of duplication with the services provided by Newfoundland
24 Power in its territories.

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26 c. Providing distribution services to large rural areas of the province
27 necessarily requires the permanent positioning of work crews
28 appropriately in all of those areas. These costs are largely “fixed” in
29 that the provision of reliable service would require that these crews be

- 1 present in these areas regardless of industry ownership or structure.
- 2 The incremental costs of providing customer services through two
- 3 utilities are modest.