

1 **Q. Further to Newfoundland Power's response to NLH-NP-003 which states:**

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3 *"Newfoundland Power expects that a GRA filing made early in the 4th quarter of*
4 *2015 would likely still conflict with scheduling associated with Hydro's currently*
5 *outstanding GRA. For this reason, the 2016 deferred cost recovery proposed in*
6 *the Application is the superior alternative to addressing the current*
7 *circumstances."*

8
9 **Please provide the anticipated GRA schedule, from beginning to end, reflecting**
10 **an October 16, 2015 filing by Newfoundland Power and demonstrate the**
11 **anticipated scheduling conflict with Hydro's current GRA based upon the current**
12 **Hydro GRA schedule established by the Board.**

13
14 **A. A. Anticipated Newfoundland Power GRA Schedule**

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16 Newfoundland Power is not in a position to provide an *anticipated* schedule for a general
17 rate application ("GRA") filed on October 16, 2015. This is because any schedule for a
18 GRA filed on October 16, 2015 by Newfoundland Power would be determined
19 subsequent to filing by the Board. The Board's determination of an appropriate schedule
20 would consider the views of interested parties, including Board staff, the Consumer
21 Advocate, and Hydro.

22
23 Notwithstanding the absence of a schedule for a Newfoundland Power GRA filed on
24 October 16, 2015, potential scheduling conflicts with Hydro's current general rate
25 application ("Hydro's current GRA") are foreseeable. Regulatory experience with
26 Hydro's current and past GRAs together with Newfoundland Power GRAs clearly
27 indicate the likelihood of scheduling conflict.

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29 **B. Hydro's Current GRA Schedule**

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31 ***Hydro's Current GRA***

32 Hydro's current GRA schedule provides for public hearings to commence on
33 September 9, 2015. The length of public hearings which will be required in respect of
34 Hydro's current GRA is uncertain.

35
36 The length of time it will take for Hydro's current GRA to conclude is dependent on the
37 size and scope of the issues raised in the proceeding. The size of the issues raised in
38 Hydro's current GRA is large. The scope of the issues raised in Hydro's current GRA is
39 broad.

40
41 Hydro's current GRA requests increases in revenue requirements which are very large.
42 For 2015, Hydro's current GRA proposes a 53.7% (or \$231.4 million) increase in
43 revenue requirements from Hydro's last test year. These large increases are spread across

1 almost all Hydro costs.¹ While updates to Hydro costs are expected prior to
2 commencement of public hearings, there is no indication that these updates will result in
3 a material reduction in the size or scope of proposed increased Hydro revenue
4 requirements.

5
6 Hydro's current GRA will also consider the prudence of over \$210 million in Hydro
7 costs. The range of costs involved in this review is diverse and extends over a number of
8 years. The record in relation to this aspect of Hydro's current GRA is still in
9 development. However, this will be the first time that the Board will consider the
10 prudence of such a large amount of utility expenditures.

11
12 Against this backdrop of increasing costs, there is the issue of eroding reliability on the
13 portion of the Island interconnected system for which Hydro is responsible. It is likely
14 that the Board's final report on Phase I of the Board's *Investigation and Hearing into*
15 *Supply Issues and Power Outages on the Island Interconnect System* (the "Board's
16 investigation") will be available prior to the commencement of the public hearing of
17 Hydro's current GRA. How the Board's findings in its final report on Phase I will affect
18 Hydro's current GRA is not currently certain, however, system reliability is typically a
19 focus of a GRA.²

20
21 Hydro's current GRA will also consider resolution of the existing mismatch of Hydro's
22 costs and customer rates. Reconciliation of this longstanding mismatch presents a
23 number of novel features. These include the continuing accrual of large balances in
24 Hydro's rate stabilization plan ("RSP"). As of March 31, 2015 the credit balance in the
25 RSP was \$294 million. They also include the interpretation and implementation of
26 Government directives regarding rates policy including rebates to customers served by
27 the Island interconnected system and the phase-in of industrial rates.

28
29 Hydro's current GRA also proposes material changes to cost allocation. These include
30 changes to the allocation of Hydro's rural deficit which were initially proposed by way of
31 amendment to Hydro's current GRA. The proposed changes in cost allocation materially
32 change longstanding Board approved cost of service methodologies and would have
33 material customer impacts.

34 ***Regulatory Experience***

35
36 The past GRA process which is most comparable to Hydro's current GRA is Hydro's 1st
37 GRA which was filed in 2001 ("Hydro's 1st GRA").³ However, proceedings to date on
38 Hydro's current GRA clearly indicate that it is extraordinary in both the size and scope of
39 issues, even by comparison to Hydro's 1st GRA.

¹ See Hydro's 2013 Amended General Rate Application, Reconciliation to Original GRA Filing, Tables 2 and 3: Key Data for 2007, 2013, 2014, and 2015 Test Years, Pages 1.13R and 1.14R.

² Phase II of the Board's investigation is expected to continue throughout the remaining schedule of Hydro's current GRA.

³ See Order No. P.U. 7 (2002-2003) for details on process associated with Hydro's 1st GRA.

1 Table 1 provides comparative data related to Hydro's 1st GRA and Hydro's current GRA.
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 3

Table 1
Comparative Hydro GRA Data

	1st GRA	Current GRA
Filing Date	May 31, 2001	July 30, 2013
Registered Intervenors	5	11 ⁴
RFIs	Over 1,000	Over 2,100 ⁵
Months to Hearing	4 months	25 months
Start of Public Hearings	September 24, 2001	September 9, 2015
Days of Public Hearing	61	-
Conclusion of Public Hearings	January 29, 2002	-

4
 5
 6 Hydro's current GRA has over twice the number of registered intervenors as Hydro's 1st
 7 GRA. Hydro's current GRA has already generated more than twice the number of
 8 Requests for Information ("RFIs") as Hydro's 1st GRA. If public hearings on Hydro's
 9 current GRA commence on September 9, 2015, it will have taken approximately 6 times
 10 as long for Hydro's current GRA to proceed to public hearing than it took Hydro's 1st
 11 GRA.

12
 13 The extraordinary size and scope of issues raised in Hydro's current GRA, together with
 14 the proceedings to date, indicate that public hearings for Hydro's current GRA will likely
 15 take several months. There is no reason to expect that public hearings on Hydro's current
 16 GRA will conclude in less than the 4 months it took for them to conclude on Hydro's 1st
 17 GRA. In fact, proceedings to date on Hydro's current GRA indicate that public hearings
 18 on Hydro's current GRA will likely take longer than on Hydro's 1st GRA.

19
 20 The size and scope of issues raised in Hydro's current GRA do not only impact
 21 scheduling of public hearings. It can also affect the length of time it takes the Board to
 22 issue a final order. It is typical for the Board to issue orders on GRAs approximately 2
 23 months after the close of proceedings. For Hydro's 1st GRA it took over 4 months for the
 24 Board to issue its order.

⁴ This includes Danny Dumaresque and the Grand Riverkeeper@ Labrador Inc. whom have been granted intervenor status in relation to the Board's Prudency Review of over \$210 million in Hydro costs.

⁵ This includes RFIs asked to date in Hydro's current GRA. It excludes RFIs related to the series of applications made by Hydro seeking interim relief while the current GRA has been outstanding. There will certainly be more RFIs filed in relation to Hydro's current GRA.

1 **C. Newfoundland Power’s Next GRA**

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3 In the response to Request for Information PUB-NP-002, Newfoundland Power provided
4 data relating to the 4 Newfoundland Power GRAs filed since 2002. This data is useful in
5 assessing the sources of possible scheduling conflicts which might arise for a
6 Newfoundland Power GRA filed on October 16, 2015.

7
8 For GRAs filed in September or October, public hearings were conducted in the January
9 to March period of the succeeding year. For the Board to schedule a public hearing on a
10 GRA, it must be satisfied that all intervenors have had the opportunity to fully interrogate
11 the utility application *prior* to the commencement of public hearings. For example, for
12 Newfoundland Power’s 2002-2003 GRA, which was filed on October 11, 2002, RFIs
13 were required to be filed by intervenors by mid-December 2002 and answered by
14 Newfoundland Power by late January 2003.⁶ This schedule for RFIs permitted efficient
15 scheduling of public hearings.

16
17 In Newfoundland Power’s next GRA, it is expected, at a minimum, that there will be
18 RFIs submitted by Board staff, the Consumer Advocate, and Hydro. Board staff, the
19 Consumer Advocate, and Hydro are all active participants in Hydro’s current GRA.
20 Given the uncertainty associated with the length of public hearings required on Hydro’s
21 GRA, it is reasonable to expect that parties interested in Newfoundland Power’s next
22 GRA and also participating in Hydro’s current GRA will require additional time to
23 interrogate Newfoundland Power’s GRA.

24
25 This additional time requirement will, in turn, extend the overall length of time and costs
26 associated with a Newfoundland Power GRA filed on October 16, 2015. As time is
27 extended, the requirement for additional information and processes (including updates of
28 costs and results of operations by Newfoundland Power) has the potential to even further
29 extend the time associated with the review of a Newfoundland Power GRA filed on
30 October 16, 2015.

31
32 These potential conflicts and series of delays raises the risk that a Newfoundland Power
33 GRA filed on October 16, 2015 will not result in a final order of the Board on 2016 costs
34 until late in 2016, or possibly 2017.

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36 **D. Why Deferral is the Superior Alternative**

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38 The avoidance of foreseeable and unnecessary potential scheduling conflicts between
39 Hydro’s current GRA and Newfoundland Power’s next GRA (and the costs associated
40 with those conflicts) is only one of the many reasons that the deferred cost recovery
41 proposed in the Application is the superior alternative to addressing the current
42 circumstances.

⁶ See Order No. P.U. 1 (2003).

1 The 2016 cost recovery deferral proposed in the Application is consistent with (i) the
2 principle of intergenerational equity as applied by the Board⁷; (ii) reduced overall
3 regulatory lag and delayed cost recovery⁸; (iii) overall regulatory cost efficiency⁹; and
4 (iv) past regulatory practice.¹⁰

⁷ Refer to the response to Request for Information PUB-NP-006, pages 3-4.

⁸ Refer to the response to Request for Information PUB-NP-003, pages 1-2.

⁹ Refer to the responses to Request for Information PUB-NP-002, pages 2-4 and PUB-NP-003, page 2.

¹⁰ Refer to the response to Request for Information PUB-NP-001, pages 1-4.