



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: palteen@newfoundlandpower.com

2015-12-01

Mr. Peter Alteen
Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6

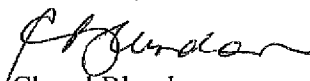
Dear Mr. Alteen:

Re: Newfoundland Power Inc. – 2016-2017 General Rate Application – Requests for Information

Enclosed are Information Requests PUB-NP-001 to PUB-NP-073 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Yours truly,


Cheryl Blundon
Board Secretary

/cpj
Encl.
ecc.

Newfoundland Power Inc
Mr. Gerard Hayes, E-mail: ghayes@newfoundlandpower.com
Mr. Ian Kelly, QC, E-mail: ifkelly@curtisdawe.com
Newfoundland and Labrador Hydro
Mr. Geoff Young, E-mail: gyoung@nlh.nl.ca
NLH Regulatory, E-mail: NLHRegulatory@nlh.nl.ca
Consumer Advocate
Mr. Thomas Johnson, E-mail: tjohnson@odeacarle.ca
Ms. Colleen Lacey, E-mail: clacey@odeacarle.ca

1 **IN THE MATTER OF**

2 the *Electrical Power Control Act, 1994*,
3 SNL 1994, Chapter E-5.1 (the "*EPCA*")
4 and the *Public Utilities Act*, RSNL 1990,
5 Chapter P-47 (the "*Act*"), as amended; and

6
7 **IN THE MATTER OF** a general rate
8 application filed by Newfoundland Power
9 Inc. on October 16, 2015.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NP-001 to PUB-NP-073

Issued: December 1, 2015

2016-2017 General Rate Application, Company Evidence

Section 1: Introduction

- PUB-NP-001** Page 1-1: Please confirm whether Newfoundland Power's load forecast for the period 2016F-2017F is the same as that provided to Newfoundland and Labrador Hydro and provide the date on which such forecast was given.
- PUB-NP-002** Page 1-3, line 11: Please provide the data on which Newfoundland Power relies for the statement that its electrical system performance is reliable.
- PUB-NP-003** Page 1-3, lines 18-23: Please provide a table showing the number and type of equipment failures each year for the period 2013-2015 year to date.
- PUB-NP-004** Please list each of Newfoundland Power's current collective agreements and provide the term of each, the annual wage adjustments for each agreement and any special adjustments.
- PUB-NP-005** Please provide for each group the average annual wage/salary increase given or forecast for union, non-union and executive employees for the period 2013-2016F.
- PUB-NP-006** Please provide the most recent organization chart for Newfoundland Power.
- PUB-NP-007** Please provide the details of all Newfoundland Power incentive or bonus plans including the eligible participants, the criteria for payment and the amounts paid in 2013 and 2014.
- PUB-NP-008** Provide the amounts included in forecast operating costs for 2015 and 2016 for incentive and bonus payments.
- PUB-NP-009** Page 1-4, lines 8-9: Please describe the managerial control Newfoundland Power uses to control labour costs.
- PUB-NP-010** Page 1-4, lines 11-12: Please provide the source and labour cost inflation data for 2013-2017F used to establish Newfoundland Power's operating labour cost increase at a rate approximately 2.2% per year lower than labour cost inflation.
- PUB-NP-011** Page 1-4, lines 16-22: Please provide the details of all initiatives and the associated cost savings of each initiative Newfoundland Power has implemented that produced operating efficiencies in the period 2013-2015.
- PUB-NP-012** Page 1-5, lines 1-9: Please describe in detail the initiatives and the implementation cost for each that contributed to improved Newfoundland Power emergency preparedness and customer responsiveness.

PUB-NP-013 Page 1-7, lines 1-8: Please describe in detail the potential consequences for Newfoundland Power and its customers due to the uncertainty of the Muskrat Falls project in terms of costs and reliability.

PUB-NP-014 Page 1-8, lines 14-17: Please describe in detail the increased risk for Newfoundland Power and its customers associated with wholesale power supply prior to interconnection with Muskrat Falls and explain the implications for Newfoundland Power.

PUB-NP-015 Page 1-9, lines 1-2: Please provide a table showing the amount of each category of cost that contributes to the 1.4% increase.

PUB-NP-016 Page 1-9, lines 3-4: Please provide the yearly and cumulative inflation rates for the period 2013-2015F.

Section 2: Customers

PUB-NP-017 Page 2-6, lines 5-6: Please provide Newfoundland Power's policy relating to uncollectable bills.

PUB-NP-018 Page 2-6, Table 2-4: Please explain the increase in Uncollectable Bills from 2013 to 2014.

PUB-NP-019 Page 2-9, lines 16-17: Has Newfoundland Power been reviewing strategies to reduce Uncollectable Bills? If yes, please provide details. If no, why not?

PUB-NP-020 Page 2-12, lines 8-10: Please update the avoided fuel costs for the energy savings of 50 GWh using Hydro's updated October 2015 forecast fuel cost of \$64.41 per barrel (\$Can).

PUB-NP-021 Page 2-15, lines 2-3: Please explain why the Rate Impact Measure test is no longer widely used in evaluating customer energy conservation programs.

PUB-NP-022 Page 2-15, lines 8-10: Please explain why Newfoundland Power proposes to adopt the Program Administrator Cost test as a secondary test to evaluate customer energy conservation programs.

PUB-NP-023 Page 2-18, lines 3-5: Please update the aggregated avoided fuel costs for the energy savings of 418.3 GWh using Hydro's updated October 2015 forecast fuel cost of \$64.41 per barrel (\$Can).

Section 3: Operations

- PUB-NP-024** Do the CEA averages for SAIDI and SAIFI in Chart 3-5 and Chart 3-6 include significant events?
- PUB-NP-025** Page 3-10, lines 3-5: Please describe Newfoundland Power's preventive maintenance program.
- PUB-NP-026** Page 3-13, lines 6-7: How does Newfoundland Power's target of arriving at the site of 85% of customer reported trouble calls within 2 hours compare to the targets of the CEA utilities listed in footnote 5 on page 3-8.
- PUB-NP-027** Page 3-20, lines 1-4: How does Newfoundland Power new service connection targets compare to the targets of other Canadian utilities listed in footnote 5 on page 3-8.
- PUB-NP-028** Page 3-24, lines 12-14: Please provide details of any other measures which Newfoundland Power has taken to better respond to possible future supply shortages.
- PUB-NP-029** Page 3-33, footnote 50: Please provide a comparison of Newfoundland Power's 2015 hourly wage rates with other Atlantic utilities for Electrical "A", Mechanical "A", line workers and any other classification where data is available.
- PUB-NP-030** Page 3-33, lines 1-5: Please explain in detail how improvements in operating efficiency of approximately 2.2% per year demonstrates *"reasonable management efficiency"*.

Section 4: Finance

- PUB-NP-031** How does Newfoundland Power's current capital structure, with a 45% target common equity, compare to other Canadian utilities?
- PUB-NP-032** Have other Canadian utilities changed capital structures since 1996? Please explain any changes that have occurred.
- PUB-NP-033** Does Newfoundland Power consider itself to be an average risk Canadian Utility?
- PUB-NP-034** How does a 9.5% return on equity for Newfoundland Power for the 2016/2017 test years compare to the recent allowed returns for all other Canadian regulated electrical utilities?

- 1 **PUB-NP-035** How does the comparison with the allowed returns for other Canadian
2 regulated electrical utilities reconcile with Newfoundland Power's risk
3 position?
4
- 5 **PUB-NP-036** What consideration has Newfoundland Power given to the business risks
6 associated with a declining number of customers, declining energy sales,
7 increasing power supply costs and increasing power supply risks?
8
- 9 **PUB-NP-037** What weight does Newfoundland Power consider should be given by the Board
10 to the overall risks associated with a declining number of customers, declining
11 energy sales, increasing power supply costs and increasing power supply risks?
12
- 13 **PUB-NP-038** Page 4-30: It is stated that the near-term risks associated with power supply
14 reliability appears to be increased since Newfoundland Power's last rate case in
15 2012. What consideration has Newfoundland Power given to this increased
16 power supply risk?
17
- 18 **PUB-NP-039** Page 4-31, lines 12-14: It is stated that severe weather conditions increase the
19 unpredictability of Newfoundland Power's operating and capital costs and can
20 result in earnings volatility. Explain in detail how Newfoundland Power has
21 historically dealt with such costs associated with severe weather.
22
- 23 **PUB-NP-040** Please provide all capital and operating costs incurred from 2008-2015 that
24 have arisen solely due to severe weather conditions, detailing any costs that
25 have not been recovered from customers.
26
- 27 **PUB-NP-041** Page 4-34, lines 4-6: Please provide the First Mortgage Bond issue spreads at
28 the time of Newfoundland Power's 2013/2014 rate case.
29
- 30 **PUB-NP-042** Please confirm that it is Newfoundland Power's position that the current state
31 of the financial market, specifically the abnormally low long Canada bond
32 yields, is the only reason for the continued suspension of the automatic
33 adjustment formula.
34
- 35 **PUB-NP-043** Has Newfoundland Power considered what change in the long Canadian bond
36 yield would be required to consider the reinstatement of the automatic
37 adjustment formula?
38
- 39 **PUB-NP-044** Has Newfoundland Power considered any other alternative, other than
40 continued suspension, to the current automatic adjustment formula to adjust the
41 return on equity between rate applications?
42
- 43 **PUB-NP-045** Are there any changes to the current automatic adjustment formula that could,
44 in Newfoundland Power's opinion, make it more reliable in determining a
45 future return on equity for Newfoundland Power?

- 1 **PUB-NP-046** Does Newfoundland Power consider that the current formula would be more
2 reliable in determining fair return on equity if there were a mechanism added
3 which accounted for any material sudden drop/increase in the risk free rate?
4
- 5 **PUB-NP-047** Does Newfoundland Power consider it a viable option to add a bond yield
6 threshold for operation of the formula similar to what was adopted by the
7 BCUC in Decision L-53-13?
- 8 **PUB-NP-048** Does Newfoundland Power consider that changes in a fair return on equity
9 between test years can be estimated accurately using a formula, or is a fair
10 return on equity determination simply too complex to be applied using a
11 formula approach?
12
- 13 **PUB-NP-049** Page 4-42, lines 1-4: Please explain why Newfoundland Power would have a
14 limited ability to issue First Mortgage Bonds in 2017 under existing rates given
15 that its forecast interest coverage of 2.1 times is above its 2.0 times
16 requirement.
17
- 18 **PUB-NP-050** Please provide the credit metrics for 2013, 2014 and 2015 based on the
19 findings of Order P.U. 13(2013).
20
- 21 **PUB-NP-051** Page 4-43, lines 3-5: Please explain whether or not the forecast credit metrics
22 for 2016 and 2017 under the existing rates are consistent with the maintenance
23 of the continued financial integrity of Newfoundland Power and its ability to
24 attract capital on reasonable terms.
25
- 26 **PUB-NP-052** What weight does Newfoundland Power consider the Board should give to the
27 proposed amortization of regulatory deferrals in determining Newfoundland
28 Power's rate of return?
29
30

31 **Volume 2: Tab 3: 2016 and 2017 Rate Base Allowances**
32

- 33 **PUB-NP-053** Volume 2, Tab 3, page. 3: Please explain why the final tax payment increased
34 from \$1.9 million for the 2013/2014 test years to \$6.7 million for the
35 2016/2017 test years.
36
37

38 **Volume 2: Tab 8: Curtailable Service Option Review**
39

- 40 **PUB-NP-054** Please provide details of any consultation Newfoundland Power has had with
41 Newfoundland and Labrador Hydro regarding the Curtailable Service Option
42 Review.
43
- 44 **PUB-NP-055** Please explain whether or not any of the proposed changes to Newfoundland
45 Power's Curtailable Service Option has any effect on Newfoundland and
46 Labrador Hydro's ability to request customer curtailments.

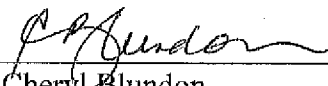
Written Evidence on Cost of Capital of Mr. James Coyne, Volume 3

- PUB-NP-056** In Order No. P.U. 13(2013), page 31, lines 13-16, the Board expressed concern on the use of analysts' forecasts of expected growth in the constant growth discounted cash flow model as they produce higher results. Concentric, at pages 21-23 of its report, relies on earnings growth estimates from analysts. What changes, if any, have occurred since 2013 that address the concern that such estimates are overly optimistic and produce unreasonably high results?
- PUB-NP-057** The constant growth discounted cash flow model results for Canadian regulated utilities shown in Figure 16, page 34 of Concentric's report are significantly higher than the results of other tests. Does this demonstrate that the use of analysts' forecasts in this model does produce unreasonably high results when compared to other methods?
- PUB-NP-058** In Order No. P.U. 13(2013), page 31, lines 5-8, the Board accepted evidence that there are differences in the United States and Canadian experience that justify an adjustment to the discounted cash flow method results. Concentric, at page 25, lines 6-8 of its report, states no such adjustment is required to be made in this proceeding. What changes, if any, have occurred since 2013 that demonstrate that the differences accepted by the Board to exist in 2013 no longer exist?
- PUB-NP-059** Have there been any regulatory decisions in Canada since Order No. P.U. 13(2013) that have used unadjusted United States data in setting the fair return for a Canadian regulated utility? If yes, provide copies of the decisions.
- PUB-NP-060** Has there been a Consensus Economic forecast since the April 30, 2015 forecast referred to on page 27? If yes, what is the forecast for 2016-2018?
- PUB-NP-061** Page 27, Figure 11: Does Concentric believe that the forecast risk free rate for Canada of 3.68% needs to be adjusted to reflect market conditions?
- PUB-NP-062** Page 32, Figure 15: Provide the date of each order approving the allowed return and state the date, if available, that the approved return is expected to be reviewed by the regulator.
- PUB-NP-063** Page 34, Figure 16: Restate Figure 16 without the results of the constant growth DCF.
- PUB-NP-064** Page 35, lines 1-4: Please confirm that the adjustments to the CAPM model referred to are reflected in the 9.0% shown in Figure 16, page 34 and state what the "unadjusted" CAPM would be if no adjustments had been made to CAPM for the current market environment.

- 1 **PUB-NP-065** Page 35, lines 1-4: State the impact of each adjustment made to the calculation
 2 of the ROE using the CAPM model that was made to adjust for current market
 3 conditions.
 4
- 5 **PUB-NP-066** Appendix A, page 9: Provide a table stating the common equity ratios and
 6 credit metrics for Newfoundland Power, Canadian Utilities Limited and
 7 Enbridge.
 8 **PUB-NP-067** Appendix A, page 10: Explain any change in Newfoundland Power's business
 9 risk since 2013 related to its size relative to other investor owned utilities and
 10 its operating risk that has occurred or will occur in the period 2013-2018.
 11
- 12 **PUB-NP-068** Appendix A, page 13-14 and page 17: Explain any change in Newfoundland
 13 Power's business risk that has occurred or will occur in the period 2013-2018,
 14 related to macroeconomics and demographic trends and alternative fuel risks.
 15
- 16 **PUB-NP-069** Appendix A, page 15-16: Explain how Newfoundland Power's power supply
 17 risks have impacted Newfoundland Power's financial position in 2014 and
 18 2015 and the forecast impact for 2016 to 2018.
 19
- 20 **PUB-NP-070** Appendix A, page 17, lines 26-27: It is stated that the business risk for
 21 Newfoundland Power is higher than in 2012. Please explain the degree to
 22 which it is higher.
 23
- 24 **PUB-NP-071** Is it Concentric's opinion that Newfoundland Power is an average risk
 25 Canadian utility given that its financial risk is comparable to the Canadian
 26 proxy group and Concentric has concluded in Appendix A, page 24, lines 15-
 27 17 that Newfoundland Power has above average business risk?
 28
 29
- 30 **Volume 3: Depreciation Study: Mr. John Wiedmayer**
 31
- 32 **PUB-NP-072** Page III-7: Please explain how the proposed changes to service life estimates of
 33 certain accounts impacts the depreciation expense in the current application.
 34
- 35 **PUB-NP-073** Please provide details of the overall impact of the depreciation study on the
 36 proposed depreciation expense.

DATED at St. John's, Newfoundland this 1st day of December, 2015.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
 Cheryl Blundon
 Board Secretary