

The Consumer Advocate

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May 29, 2018

Via Courier

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

Attention: **G. Cheryl Blundon, Director of**
Corporate Services / Board Secretary

Dear Ms. Blundon:

**RE: Newfoundland and Labrador Hydro - 2017 General Rate Application -
Hydro's Application in Relation to Confidential Information in Table 2
of PUB-NLH-149 Requests for Information**

Further to the above-captioned, enclosed please find enclosed the original and thirteen (13) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-315 to CA-NLH-332.

Yours truly,



Stephen Fitzgerald
Counsel for the Consumer Advocate

Encl.
/bb

cc **Newfoundland & Labrador Hydro**
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IN THE MATTER OF

the *Electrical Power Control Act, 1994*
SNL 1994, Chapter E-5.1 (the “*EPCA*”)
and the *Public Utilities Act*, RSNL 1990,
Chapter P-47 (the “*Act*”), as amended; and

IN THE MATTER OF a General Rate
Application by Newfoundland and Labrador
Hydro to establish customer electricity rates
for 2018 and 2019; and

IN THE MATTER OF an application by
Newfoundland and Labrador Hydro requesting
That the information contained in Table 2 of its
Response to PUB-NLH-149 be considered confidential.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NLH-315 to CA-NLH-332

Issued: May 29, 2018

1 CA-NLH-315 (May 18, 2018 Application regarding Confidential Information contained
2 in Table 2 of Hydro's Response to PUB-NLH-149) In clause 4 Hydro states
3 "*Maintaining competition amongst energy suppliers is essential in order to*
4 *achieve the lowest energy costs for Hydro's customers. Disclosure of*
5 *trading strategies and experiences would have the effect of impairing or*
6 *removing competitive pricing, thereby potentially increasing ratepayer*
7 *costs."* Please confirm that the sole basis for this application for
8 confidentiality relates to the need to maintain competition among suppliers
9 to ensure that Hydro's Island customers receive the lowest cost for
10 electricity purchases.

11
12 CA-NLH-316 (May 18, 2018 Application regarding Confidential Information contained
13 in Table 2 of Hydro's Response to PUB-NLH-149) In clause 4 Hydro states
14 "*Maintaining competition amongst energy suppliers is essential in order to*
15 *achieve the lowest energy costs for Hydro's customers. Disclosure of*
16 *trading strategies and experiences would have the effect of impairing or*
17 *removing competitive pricing, thereby potentially increasing ratepayer*
18 *costs."* Please confirm that the market is truly competitive with multiple
19 suppliers competing to supply Hydro's demand at lowest cost in response
20 to solicitations submitted by NEM. How many offers does NEM typically
21 entertain on a transaction?

22
23 CA-NLH-317 (May 18, 2018 Application regarding Confidential Information contained
24 in Table 2 of Hydro's Response to PUB-NLH-149) In clause 4 Hydro states
25 "*Maintaining competition amongst energy suppliers is essential in order to*
26 *achieve the lowest energy costs for Hydro's customers. Disclosure of*
27 *trading strategies and experiences would have the effect of impairing or*
28 *removing competitive pricing, thereby potentially increasing ratepayer*
29 *costs."* Please explain how the information requested in PUB-NLH-149
30 "*discloses trading strategies*".

1 CA-NLH-318 (May 18, 2018 Application regarding Confidential Information contained
2 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 9 Hydro states
3 “Table 2 provides the daily actual price of purchases over the Maritime
4 Link to March 31, 2018 compared against the daily forecast purchase price
5 filed in Hydro’s Summary Report — Additional Cost of Service Information.
6 The information regards energy purchases made on behalf of Hydro by its
7 marketing affiliate, NEM.” Does Hydro’s application for confidentiality
8 relate to the fact that this information is requested on a “daily” basis? Would
9 Hydro object to providing this information publicly on a weekly or monthly
10 basis? Please explain. If Hydro does not object to providing the information
11 publicly on a weekly or monthly basis, please provide the information on
12 such basis; i.e., amounts purchased over week or month, average price paid
13 over week or month, and average of other costs paid over week or month.
14

15 CA-NLH-319 (May 18, 2018 Application regarding Confidential Information contained
16 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 10 Hydro
17 states “The information contained in Table 2, when combined with existing
18 industry knowledge, specifically information readily accessible by energy
19 suppliers and competitors through the Open Access Same-Time
20 Information System (Oasis), is information which can be used by such
21 persons to deduce the average price per kilowatt hour paid by Hydro. It is
22 reasonable to expect that energy suppliers, transacting within what is a
23 highly competitive energy market, would use this information to make such
24 deductions to determine what NEM was willing to pay for energy on an
25 individual transaction basis.” Given the sophistication of suppliers and
26 their access to information through OASIS, do they not already know that
27 Hydro’s best available alternative is Holyrood, thus establishing a ceiling
28 price for purchases at about 14 cents/kWh? If not, please explain.

1 CA-NLH-320 (May 18, 2018 Application regarding Confidential Information contained
2 in Table 2 of Hydro's Response to PUB-NLH-149) In clause 10 Hydro
3 states "*The information contained in Table 2, when combined with existing*
4 *industry knowledge, specifically information readily accessible by energy*
5 *suppliers and competitors through the Open Access Same-Time*
6 *Information System (Oasis), is information which can be used by such*
7 *persons to deduce the average price per kilowatt hour paid by Hydro. It is*
8 *reasonable to expect that energy suppliers, transacting within what is a*
9 *highly competitive energy market, would use this information to make such*
10 *deductions to determine what NEM was willing to pay for energy on an*
11 *individual transaction basis.*" Please explain the shortcomings in NEM's
12 procurement process that prompt suppliers to bid on the basis of what NEM
13 is willing to pay rather than their cost plus reasonable profit. If suppliers bid
14 more than their cost plus reasonable profit does this not reduce their chances
15 of making the sale over their competitors. If suppliers are bidding more than
16 their costs plus reasonable profit does this not imply that the market is not
17 truly competitive?

18
19 CA-NLH-321 (May 18, 2018 Application regarding Confidential Information contained
20 in Table 2 of Hydro's Response to PUB-NLH-149) In clause 11 Hydro
21 states "*if a supplier was able to use the information in Table 2 to deduce*
22 *what NEM was willing to pay for energy under a bilateral transaction with*
23 *one company, then it would impair NEM's ability to negotiate a better price*
24 *with other competitors.*" Why is it problematic that competitive suppliers
25 know what NEM was willing to pay for power in the past when they are
26 competing with other suppliers at a particular point in time to make a profit
27 on a sale? Why is this information confidential when NEM is not
28 identifying the supplier or any of the terms and conditions of bilateral
29 contracts?

- 1 CA-NLH-322 (May 18, 2018 Application regarding Confidential Information contained
2 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 11 Hydro
3 states “*if a supplier was able to use the information in Table 2 to deduce*
4 *what NEM was willing to pay for energy under a bilateral transaction with*
5 *one company, then it would impair NEM's ability to negotiate a better price*
6 *with other competitors.” Does NEM submit open requests for proposals for*
7 *power with the right to reject any bid with a price that is not lower than a*
8 *ceiling price, for example Holyrood production cost? Please explain why*
9 *this approach would not result in lowest cost and provide examples of*
10 *jurisdictions with competitive supply that have rejected this approach*
11 *including the reasons why.*
- 12
- 13 CA-NLH-323 (May 18, 2018 Application regarding Confidential Information contained
14 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 12 Hydro
15 states “*Maintaining competition amongst energy suppliers is essential in*
16 *order to achieve the lowest energy costs for Hydro's customers”*. Please
17 explain how NEM’s procurement process ensures competition and that
18 Hydro’s customers are receiving power at lowest possible cost. Does NEM
19 incorporate environmental considerations in its procurement process, and if
20 so, how?
- 21
- 22 CA-NLH-324 (May 18, 2018 Application regarding Confidential Information contained
23 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 12 Hydro
24 states “*Maintaining competition amongst energy suppliers is essential in*
25 *order to achieve the lowest energy costs for Hydro's customers”*. Are
26 NEM’s costs and the price it pays for power subject to Board jurisdiction?
- 27
- 28 CA-NLH-325 Has Hydro entered into any confidentiality agreements with any third
29 parties arising from their bilateral transactions with them? If so, please
30 provide copies of these agreements.

- 1 CA-NLH-326 If Hydro has entered into any written confidentiality agreements with any
2 third parties arising from bilateral transactions, do these agreements require
3 Hydro to prevent the eventuality of competitors “deducing” what NEM is
4 willing to pay for energy, as set out in paragraph 11 of Hydro’s Application
5 dated May 18, 2018?
6
- 7 CA-NLH-327 (May 18, 2018 Application regarding Confidential Information contained
8 in Table 2 of Hydro’s Response to PUB-NLH-149) In clause 12 Hydro
9 states “*Maintaining competition amongst energy suppliers is essential in
10 order to achieve the lowest energy costs for Hydro's customers*”. Are
11 transactions between NEM and Hydro at arm’s-length? In Hydro’s view, is
12 there a requirement that transactions between NEM and Hydro be at arm’s-
13 length?
14
- 15 CA-NLH-328 Please provide the benefit to cost ratio and all supporting calculations for
16 the 2019 Test Year for the capacity assistance agreements between Hydro
17 and Island Industrial Customers. If the capacity assistance agreements were
18 discontinued at year-end 2018, how would it affect rates to Island Industrial
19 Customers and Newfoundland Power in monetary and percentage terms in
20 2019?
21
- 22 CA-NLH-329 Please provide the benefit to cost ratio and all supporting calculations for
23 the 2019 Test Year for the pilot generation credit service agreement with
24 CBPP. If this agreement were terminated at year-end 2018, how would it
25 affect rates to Island Industrial Customers and Newfoundland Power in
26 monetary and percentage terms in 2019?
27
- 28 CA-NLH-330 Please provide the Newfoundland Power rate for the 2019 Test Year if the
29 tail-block energy charge were to remain at 10.4 cents/kWh as proposed in
30 Hydro’s Interim Rates Application for the wholesale power rate.

- 1 CA-NLH-331 If the Board were to approve use of the Deferral Account Scenario for the
2 2019 Test Year as proposed by Hydro, would Hydro propose any
3 adjustments to the rural deficit allocation between Labrador customers and
4 Newfoundland Power to take into consideration that Newfoundland Power
5 would be allocated a greater share of the rural deficit than if the cost of
6 service were based on the Expected Supply Scenario? If not, why not?
7
- 8 CA-NLH-332 If the Board were to approve use of the Expected Supply Scenario for the
9 2019 Test Year, in Hydro's view would it be necessary to remove the
10 operating and maintenance costs for LTA/LIL transmission from the cost
11 of service study? If not, why not? If so, what would Hydro propose with
12 respect to recovery of these costs?

DATED at St. John's, Newfoundland and Labrador, this 29th day of May, 2018.

Per: 

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