

December 11, 2017

Via Email & Courier

Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director of Corporate Services & Board Secretary

Dear Ms. Blundon:


Re: 2017 General Rate Application – Requests for Information on Expert Reports
NLH-IC-001 – NLH-IC-012

Please find enclosed the original and thirteen (13) copies of Hydro's Requests for Information NLH-IC-001 to NLH-IC-012 in relation to the above noted Application.

If you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Tracey L. Pennell
Senior Counsel, Regulatory
TLP/skc

Encl.

cc: Gerard Hayes - Newfoundland Power
Paul Coxworthy - Stewart McKelvey Stirling Scales
Denis J. Fleming - Cox & Palmer

Dennis Browne, Q.C. - Consumer Advocate
Dean Porter - Poole Althouse

ecc: Van Alexopoulos - Iron Ore Company
Senwung Luk - Labrador Interconnected Group

Benoît Pepin - Rio Tinto

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 and the *Public Utilities Act*, RSN 1990, Chapter P-47 (the Act);

AND IN THE MATTER OF a General Rate Application (the Application) by Newfoundland and Labrador Hydro to establish customer electricity rates for 2018 and 2019.

NEWFOUNDLAND AND LABRADOR HYDRO

Requests for Information

NLH-IC-001 to NLH-IC-012

NLH-IC-001 Re: Pre-filed Testimony of Mr. P. Bowman, page 15, line 26 to page 16 line 1:

“...the AUC retained Foster Associates to produce a report on depreciation alternatives. Fosters noted in regards to ELG: "To the extent the objective of this investigation is to identify and evaluate depreciation methods that will delay capital recovery, it would appear counterproductive to use or retain a procedure that inherently front loads depreciation accruals: While the proceeding has not led as yet to changes in depreciation procedure, the discussion has led to specific proposals regarding abandoning the ELG procedure for major utilities such as Altalink and ATCO Electric, and the potential for an AUC-led generic proceeding in the near future.”

Please provide the date on which the Fosters report was presented to the Alberta Utilities Commission.

NLH-IC-002 Further to NLH-IC-001, please provide a listing of the utilities in Alberta that have abandoned the ELG procedure since the Foster Associates report was presented.

NLH-IC-003 Re: Pre-filed Testimony of Mr. P. Bowman, page 19, lines 10 to 12:

“...the rate regime can far more readily carry the costs of accruing for removal in the latter years of an asset’s life, once the original price has been significantly depreciated...”

Please provide all calculations and workpapers prepared by Mr. Bowman in the determination of a revised removal rate based upon the above assertion.

NLH-IC-004 Re: Pre-filed Testimony of Mr. P. Bowman, page 19, lines 10 to 12:

“...the rate regime can far more readily carry the costs of accruing for removal in the latter years of an asset’s life, once the original price has been significantly depreciated...”

Please detail and elaborate on the generational inequity of the assertion that future customers pay for removal costs on assets from which current rate payers receive benefit.

NLH-IC-005 Re: Pre-filed Testimony of Mr. P. Bowman, page 29, line 17:

“The 2018 shortfall is material (\$22.6 million in 2018) and does not fit with the concept of the rate base.”

Please confirm that the inclusion of revenue deficiencies in rate base is consistent with the Asset Rate Base Method.

NLH-IC-006 Re: Pre-filed Testimony of Mr. P. Bowman, page 29, lines 20-28:

“Second, the 2018 shortfall is a short-term asset for Hydro, proposed to be collected within 20 months. As such, it does not require financing by long-term bond offerings, for example. Third, Hydro is at effectively no risk of recovering the balance. It is expected that the balance should be collected within the timeframes proposed, but in the event it is not, Hydro would plan (and expect) to maintain any shortfall rider for a longer period of time as necessary. Therefore, the 2018 shortfall is not an item that requires financing by risk capital such as equity...

...A clear alternative exists, with sound regulatory precedent. Hydro can instead be directed to finance the 2018 shortfall using only short-term debt (e.g., promissory notes).”

Please confirm that Hydro pays interest at WACC on short-term balances owing to customers inside the Rate Stabilization Plan, such as the load and fuel price variation components. Please reconcile this with the proposal noted above.

NLH-IC-007 Does Mr. Bowman take issue with Hydro’s proposal to pay WACC on balances in the Off-Island Purchases Deferral Account? Would Mr. Bowman consider it appropriate for Hydro to pay the short-term debt rate on any balance arising in the Off-Island Purchases Deferral? Please explain.

NLH-IC-008 Re: Pre-filed Testimony of Mr. P. Bowman, page 33, line 30 to page 34, line 8:

“The above rationale is a sound description primarily of the practical operating contribution of wind generation, which is a valid cost of service rationale. More importantly for the present time, the operating criteria is likely the more relevant characteristic given that the planning perspective would have to be grounded in the question of "what characteristics of wind would be beneficial so as to lead Hydro to add wind power producers to the system?" In today's reality, presumably Hydro would not add these IPPs at all. Hydro is apparently headed into a time of significant supply surpluses and cost pressures. The only resources being added are for capacity and reliability reasons (e.g., TL267) and adding additional energy supplies to the system will no longer give cost and environmental benefits associated with offsetting Holyrood generation (since there is only minimal if any Holyrood generation planned starting in the near future). In short, as of 2019, there would not be any economic rationale for planners to want to add or value incremental wind. This means the planning context is far less informative and instructive to cost of service methods than a focus on the operating perspective and, from an operating perspective, wind normally provides useful load carrying capacity through many high load hours of

the year (particularly as high loads are often, though not always, driven in part by high winds)."

Why would anticipated generation investment decisions be determinative of capacity value for planning purposes? Would a more appropriate planning concern be whether a planner can count on a certain type of generator to assist in meeting increases in demand at peak times? Please explain.

NLH-IC-009 Re: Pre-filed Testimony of Mr. P. Bowman, page 37, lines 5-13:

"The gross asset value of the frequency converter is quoted at \$10.763 million at IC-NLH-103 Attachment 1, which is approximately equal to the amount spent to date on residential CDM, which is funded by the entire grid (\$10.589 million by 2019). The difference is that residential CDM benefits provincial power supply by only 11,366 MWh, while the frequency converter enables 14 times this much power (158 GW.h) to avoid being bottled up to low value uses (heat). While this comparison is not entirely apples-to-apples, it underlines that the function of the frequency converter (Increased net availability of 60 Hz power to serve customers) is not different than the CDM programming, but at a far more effective investment profile for grid customers."

Please explain why the value of power that flows through the frequency converter and is used for on-site bill reduction is a valid comparison with CDM expenses which reduce costs for all customers.

NLH-IC-010 Re: Pre-filed Testimony of Mr. P. Bowman, page 39, lines 6-11:

"The CA evidence also does not address the fact that, absent the pilot project, CBPP is effectively economically incented (by way of NLH's contract and rate design) to operate its hydro generation in a manner that was inefficient, and to purchase excess quantities of power from Hydro ("non-firm" power) than was unnecessary under a properly structured rate as the pilot project provides."

Please confirm that CA Energy's evidence does recommend that, jointly with termination of the pilot project, a new contract with precisely the incentive properties that Mr. Bowman describes be offered by Hydro to CBPP. (Reference Hydro's 2017 General Rate Application, Exhibit 13, page 21, lines 6-11.

NLH-IC-011 Re: Pre-filed Testimony of Mr. P. Bowman. Appendix D.

Please confirm that Ms. Patricia Lee will be testifying with respect to Appendix D.

NLH-IC-012 Please provide a copy of all Evidence in a regulatory proceeding where Ms. Lee has accepted the use of the ELG procedure.

DATED at St. John's, in the Province of Newfoundland and Labrador this 11th day of December, 2017.



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