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DELIVERED BY HAND

December 11, 2017

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

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

Re: Newfoundland and Labrador Hydro – 2017 General Rate Application

Please find enclosed the original and 13 copies of Newfoundland Power's Requests for Information numbered:

- (1) NP-NLH-265 to NP-NLH-277 with respect to the pre-filed evidence of Mr. J. T. Browne; and
- (2) NP-IC-001 to NP-IC-008 with respect to the pre-filed evidence of Mr. Patrick Bowman & Ms. Patricia Lee.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,

A handwritten signature in black ink, appearing to read "Peter Alteen".

Peter Alteen, QC
Vice President,
Regulation & Planning

Enclosures

Newfoundland Power Inc.

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c. Tracey Pennell
Newfoundland and Labrador Hydro

Paul Coxworthy
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Dennis Browne, QC
Browne Fitzgerald Morgan Avis

Van Alexopoulos
Iron Ore Company of Canada

IN THE MATTER OF the Electrical Power Control Act, 1994, SNL 1994, Chapter E-5.1
And the Public Utilities Act, R.S.N. 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.

**Requests for Information by
Newfoundland Power Inc.**

To: Mr. John T. Browne

NP-NLH-265 to NP-NLH-277

December 11, 2017

Requests for Information

Expert Evidence Report, December 4, 2017 (“John T. Browne Evidence”)

Reference: **John T. Browne Evidence, Page 3 and response to Request for Information PUB-NLH-009**

NP-NLH-265 In the response to Request for Information PUB-NLH-009 it is indicated that *“Hydro believes that its proposal is not contrary to OC2013-343 because Hydro will not be recovering amounts in rates from customers with respect to these assets until after commissioning of the Muskrat Falls generating station project”*.

At page 3 of JT Browne evidence it is indicated that *“none of the amounts are to be included in customer rates until the MFP is commissioned, or nearing commissioning, and Hydro is receiving services from the MFP.”*

Please explain in detail Mr. Browne’s view of the reasonableness of Hydro’s belief that the proposed Off-Island Purchase Deferral Account (“OPDA”) would not result in Hydro *“...recovering amounts in rates from customers with respect to these assets until after commissioning of the Muskrat Falls generating station project”*.

Reference: **John T. Browne Evidence, Page 3 and response to Request for Information CA-NLH-177**

NP-NLH-266 In the response to Request for Information CA-NLH-177 Hydro indicates that the Labrador Island Link (“LIL”) and Labrador Transmission Assets (“LTA”) costs to be recovered in customer rates proposed in this application are forecast at \$27.3 million in 2018 and \$52.9 million in 2019.

At page 3 of JT Browne evidence it is indicated that *“none of the amounts are to be included in customer rates until the MFP is commissioned, or nearing commissioning, and Hydro is receiving services from the MFP.”*

Please explain in detail how Mr. Browne concludes that the forecast LIL and LTA costs of \$80.2 million recovered from customers in the 2018-2019 test period is not *“included in customer rates”*.

Reference: **John T. Browne Evidence, Page 3**

NP-NLH-267 JT Browne evidence indicates that *“the current Government has indicated that export sales will be used to mitigate potential increases in electricity rates, thereby reducing the above increases. Even if this is the case, it is expected that rates will be significantly higher than what they would otherwise be, at least for the foreseeable future.”*

Please provide all data supporting Mr. Browne's claim that, even if export sales were used to mitigate potential increases in electricity rates, rates will be significantly higher than they would otherwise be. This data should include all assumptions relating to (i) forecast export sales revenue, and (ii) forecast customer rates.

Reference: **John T. Browne Evidence, Pages 3-4**

NP-NLH-268 JT Browne evidence indicates that Muskrat Falls generating facility will not be commissioned until September 1, 2020; however, the transmission facilities are expected to be available to provide service by July 1, 2018.

Please explain in detail Mr. Browne's view concerning the 26 month gap between the availability of the transmission assets and the commissioning of the Muskrat Falls generating facility including how this 26 month gap should be considered by the Board in the context of the terms of Order OC2013-343 and in particular the prohibition against recovery of costs, expenses or allowances "*...until such time as the project is commissioned or nearing commissioning and Newfoundland and Labrador Hydro is receiving services from such project.*"

Reference: **John T. Browne Evidence, Page 4**

NP-NLH-269 JT Browne evidence indicates that "*since it is unlikely that the ML would have been built at this time without the MFP, Hydro views any net savings as a result of the ML prior to the commissioning of the MFGF to be an integral part of the net benefits/costs of the MFP.*"

Is it Mr. Browne's evidence that it is unlikely the Labrador Island Link would have been built without the Muskrat Falls generating station?

Reference: **John T. Browne Evidence, Page 9**

NP-NLH-270 JT Browne evidence refers to the Supreme Court of Canada decision in Ontario (Energy Board) v. Ontario Power Generation Inc. and the statement that "*...consumers may be assured that, overall, they are paying no more than what is necessary for the service they receive...*"

Hydro is proposing that current customers pay rates based upon high cost production at Holyrood in circumstances where low cost power is actually consumed by those customers. Please explain in detail how the cost of service standard does not require that current customer rates be based upon the low cost power they actually consume.

Reference: John T. Browne Evidence, Page 12

NP-NLH-271 JT Browne evidence indicates that *“Where deferral accounts are used, the amounts deferred are usually largely outside the control of the utility.”*

Can Mr. Browne identify other situations where a regulated utility operating company such as Newfoundland and Labrador Hydro is provided a deferral account to recover costs incurred by an unregulated parent company such as Nalcor?

NP-NLH-272 JT Browne evidence indicates that *“Where deferral accounts are used, the amounts deferred are usually largely outside the control of the utility.”*

How, in Mr. Browne’s opinion, should the Board deal with the uncertainty associated with the timing of the commissioning of the Muskrat Falls generating station and the ultimate cost of the Muskrat Falls generating station and associated transmission facilities.

NP-NLH-273 *“The use of deferral accounts to deal with uncertainty is a common regulatory practice, and such accounts have previously been approved by the Board.”*

Please identify the deferral accounts previously approved by the Board and discuss the manner in which uncertainty is dealt with, and any similarities to what Hydro is proposing in the OPDA.

NP-NLH-274 *“The balance in the account is then included in determining the revenue requirements or a future period or periods. In some cases, the full amount is deferred; while in others, an estimate of the amount is included in the determination of revenue requirements and the difference between the actual and estimated amount is deferred (such deferral accounts are often referred to as variance accounts).”*

Please provide Mr. Browne’s view of the merits of establishing a variance account to allow current customers to share in the Pre-commissioning Net Benefits?

Reference: John T. Browne Evidence, Page 14

NP-NLH-275 *“Prior to full commissioning, the MFP will provide net benefits to Hydro and its customers; however, after full commissioning, there will be a significant increase in Hydro’s cost of power and the rates it charges its customers. The Pre-commissioning Net Benefits are an integral part of the MFP and would not occur without it. Therefore intergenerational equity would require that the Pre-commissioning Net Benefits be deferred and amortized after full commissioning of the MFP. In this way, the future customers who have to bear the increase in costs as result of the MFP get the net benefits of the project prior to commissioning.”*

Is Mr. Browne aware of similar deferral accounts established in other jurisdictions where customers were required to contribute in advance to cover costs anticipated to occur in the future? If the answer is yes, please provide details and references for such deferral accounts.

NP-NLH-276

JT Browne evidence indicates that *"It would be contrary to the principle of intergenerational equity to pass on to customers of one period benefits included in the Pre-commissioning Net Benefits, while a significant amount of the associated costs were borne by customers of a later period."*

Given that Hydro is proposing that current customers pay the *current cost* of transmission facilities, please explain in detail how the principle of intergenerational equity does not require that current customers should receive the *current benefit* of the low cost power, including 0.2¢/kWh Recapture Power from Churchill Falls, made available via those transmission facilities?

NP-NLH-277

JT Browne evidence indicates that *"It would be contrary to the principle of intergenerational equity to pass on to customers of one period benefits included in the Pre-commissioning Net Benefits, while a significant amount of the associated costs were borne by customers of a later period."*

Hydro is proposing that current customers pay rates based upon relatively high cost production at Holyrood in circumstances where relatively low cost power from existing facilities is actually consumed by those customers. This difference in cost is then deferred for the benefit of future customers. Please explain in detail how this does not effectively violate the principle of intergenerational equity by requiring current customers to subsidize future customers.

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 11th day of December, 2017.



NEWFOUNDLAND POWER INC.
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IN THE MATTER OF the Electrical Power Control Act, 1994, SNL 1994, Chapter E-5.1
And the Public Utilities Act, R.S.N. 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.

**Requests for Information by
Newfoundland Power Inc.**

To: Mr. Patrick Bowman and Ms. Patricia Lee

NP-IC-001 to NP-IC-008

December 11, 2017

Requests for Information

Expert Evidence Report, December 4, 2017 (“Patrick Bowman and Patricia Lee Evidence”)

Reference: Patrick Bowman and Patricia Lee Evidence, Section 4.0 Cost of Service, Page 32 et. seq.

NP-IC-001 Newfoundland and Labrador Hydro (“Hydro”) has proposed a comprehensive Cost of Service and Rate Design Methodology Review to proceed after the conclusion of the 2017 GRA. In addition, Hydro’s expert Mr. John Browne has indicated that *“The actual amount of Off-Island Purchases, the cost of those purchases, the impact of those purchases on the power produced at Holyrood, and the cost of fuel that would have been necessary to produce that power could vary significantly from the estimates required in establishing Hydro’s revenue requirement.”*

Please explain in detail Mr. Bowman’s and Ms. Lee’s view on whether this is an appropriate time for the Board to reconsider energy allocations in respect of Holyrood and wind generation. This response should specifically address the appropriateness of changing these allocations without due consideration of *all* relevant impacts arising from interconnection of the Island Interconnected System to the North American grid.

NP-IC-002 How, in Mr. Bowman and Ms. Lee’s views, should the Board deal with the absence of any evidence of system operations, including system impacts of power exports to the North American grid, in reconsidering energy allocation in respect of Holyrood and wind generation?

NP-IC-003 Hydro is proposing that customers of Newfoundland Power pay rates in 2018 and 2019 based upon assumed production at Holyrood without reduction for the forecast lower cost of off-island purchases. Please explain in detail Mr. Bowman’s and Ms. Lee’s views on the appropriateness of changing energy allocation in respect of Holyrood in light of Hydro’s proposal.

NP-IC-004 Please describe in detail how the reclassification of energy allocations for Holyrood and wind generation will ensure the reasonable allocation of *all* production costs for the Island Interconnected System in 2018 and 2019.

NP-IC-005 Please provide Mr. Bowman’s and Ms. Lee’s estimate of the relative impacts (in aggregate \$) of the proposed reconsideration of energy allocations for Holyrood and wind generation upon the 2018 and 2019 rates charged by Hydro to (i) the Island Industrial customers, and (ii) Newfoundland Power.

Reference: Patrick Bowman and Patricia Lee Evidence, Section 4.0 Cost of Service, Page 32, line 15.

NP-IC-006 How probable do Mr. Bowman and Ms. Lee believe it is that the transmission interconnections will come into service as intended?

Reference: Patrick Bowman and Patricia Lee Evidence, Section 4.0 Cost of Service, Page 32, lines 19-21.

NP-IC-007 Please provide the full evidentiary basis for the assertion that Holyrood "...will play only a very small energy role in 2019 and in practice will function in almost entirely a reliability/capacity support role."

Reference: Patrick Bowman and Patricia Lee Evidence, Section 4.0 Cost of Service, Page 33, line 4.

NP-IC-008 Mr. Bowman and Ms. Lee indicate that Holyrood will be used primarily as a backup/standby plant in 2019. Please indicate how Mr. Bowman and Ms. Lee define "a backup/standby plant."

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 11th day of December, 2017.



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