



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

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2017-12-11

Ms. Tracey Pennell  
Senior Counsel  
Newfoundland and Labrador Hydro  
P.O. Box 12400  
St. John's, NL A1B 4K7


Dear Ms. Pennell:

**Re: Newfoundland and Labrador Hydro - 2017 General Rate Application  
Requests for Information**

Enclosed are Information Requests PUB-NLH-140 to PUB-NLH-146 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](mailto:jglynn@pub.nl.ca) or by telephone 709-726-6781.

Sincerely,

  
Cheryl Blundon  
Board Secretary

Enclosure

**Newfoundland & Labrador Hydro**  
Mr. Geoff Young, E-mail: [gyoung@nlh.nl.ca](mailto:gyoung@nlh.nl.ca)  
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**Labrador Interconnected Group**  
Mr. Senwung Luk, E-mail: [sluk@oktlaw.com](mailto:sluk@oktlaw.com)

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 by Newfoundland and Labrador  
9 Hydro to establish customer electricity rates  
10 for 2018 and 2019.

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**PUBLIC UTILITIES BOARD  
REQUESTS FOR INFORMATION**

**PUB-NLH-140 to PUB-NLH-146**

**Issued: December 11, 2017**

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1 **Expert Report - JT Browne Consulting**  
2

3 **PUB-NLH-140** Page 12, lines 1-2. Mr. Browne states that the primary reason Hydro is  
4 proposing the Off Island Purchases Deferral Account is to deal with the  
5 uncertainty in estimating the pre-commissioning savings arising from use of  
6 the LIL and LTA prior to Muskrat Falls commissioning. What information or  
7 evidence did Mr. Browne rely on for this conclusion? In the response include  
8 references to any sections of Hydro's application or other information on the  
9 record in this proceeding that lead to this conclusion.  
10

11 **PUB-NLH-141** Did Mr. Browne review Hydro's existing deferral accounts such as the Rate  
12 Stabilization Plan and the Energy Supply Costs Deferral Account to consider  
13 whether it would be appropriate to use these existing deferral accounts (with  
14 any required amendments) to account for the uncertainties in determining the  
15 savings from off-island purchases that are described by Mr. Browne?  
16

17 **PUB-NLH-142** In Mr. Browne's opinion are there other alternatives to the Off Island  
18 Purchases Deferral Account and amendments to existing deferral accounts that  
19 could be available to address the uncertainties associated with estimating any  
20 savings arising from off-island purchases?  
21

22 **PUB-NLH-143** Page 12, last paragraph. Mr. Browne states that where deferral accounts are  
23 used, the amounts deferred are largely outside the control of the utility. On  
24 page 4 Mr. Browne states that the actual net savings could vary significantly  
25 from estimates due to factors outside Hydro's control, including the  
26 completion date of the LIL and LTA, the availability of recapture power, the  
27 amount of pre-commissioning power from MFGF, the charges from LIL Opco,  
28 the amount of fuel savings and the cost of fuel. What weight should the Board,  
29 in Mr. Browne's opinion, give to the fact that a number of these factors are  
30 within the control of Hydro's parent company or a subsidiary of that parent  
31 company?  
32

33 **PUB-NLH-144** Mr. Browne refers to the reduction in risk that arises with deferral accounts  
34 and the resultant reduction in a utility's cost of capital due to the decreased  
35 risk. On page 16 he states that the Off Island Purchases Deferral Account tends  
36 to reduce Hydro's cost of capital. What weight if any should the Board give to  
37 this factor given that Hydro's return on equity is directed by Government and  
38 is not related to its risk?  
39

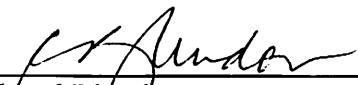
40 **PUB-NLH-145** On page 5.5, lines 17-18 of its application Hydro proposes that the savings  
41 from off island purchases be "set aside for the benefit of Hydro's customers in  
42 reducing the customer rate impact from the recovery of Muskrat Falls Project  
43 costs" and on page 5.6, lines 24-25 Hydro describes its proposal on the Off  
44 Island Purchases Deferral account ("OPDA") as a "critical first step" in the  
45 approach to rate mitigation associated with recovery of Muskrat Falls costs. In  
46 Mr. Browne's opinion does the OPDA reflect a traditional approach to rate

1 mitigation? If yes, explain in detail how it reflects rate mitigation principles.  
2 Also include in the response reference to any regulatory precedents where  
3 savings associated with the provision of current service were set aside for  
4 future customers in a similar manner to that proposed by Hydro.  
5

6 **PUB-NLH-146** With the existing Rate Stabilization Plan (RSP) and Energy Supply Variances  
7 Account (ESVA), it is the variances from the estimates used in setting rates,  
8 which at the time they are established are the most reasonable estimates for the  
9 test year, that are adjusted in the accounts. In this application Hydro is not  
10 proposing to use an estimate based on a reasonable expectation of factors in  
11 the test year (such as the actual fuel used after off-island purchases) but instead  
12 is proposing a revenue requirement which ignores the expected condition of  
13 off island purchases and the resulting impact on revenue requirement. This has  
14 been described by some parties as using a “fictional” test year. The examples  
15 of uncertainty deferrals included in the evidence of Mr. Browne only include  
16 examples similar to the existing RSP and ESVA. Is Mr. Browne familiar with  
17 precedents for the use of a test year to set rates that is not based on the expected  
18 cost of service in that year and for use of deferral accounts of the same nature  
19 as proposed by Hydro with the Off Island Purchases Deferral Account?

**DATED** at St. John’s, Newfoundland this 11<sup>th</sup> day of December, 2017.

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

Per   
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Cheryl Blundon  
Board Secretary