

The Consumer Advocate

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June 11, 2019

Hand Delivered

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

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

Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro – Application for
Revisions to Cost of Service Methodology
- Requests for Information**

Further to the above-captioned, enclosed please find enclosed the original and eight (8) copies of the Consumer Advocate's further Requests for Information numbered CA-PUB-001 to CA-PUB-009.

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

Yours truly,


Stephen Fitzgerald
Counsel for the Consumer Advocate

Encl.

/bb

cc **Newfoundland and Labrador Hydro:**
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Labrador Interconnected Customer Group:
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IN THE MATTER OF

the Electric Power Control Act, 1994,
SNL 1994, Chapter E-5.1 (the "EPCA")
and the Public Utilities Act, RSNL 1990,
Chapter P-47 (the "Act"); and

IN THE MATTER OF an application from
Newfoundland and Labrador Hydro for approval
of revisions to its Cost of Service Methodology
pursuant to Section 3 of the EPCA for use in the
determination of test year class revenue requirements
reflecting the inclusion of the Muskrat Falls Project
costs upon full commissioning.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-PUB-001 to CA-PUB-009

Issued: June 11, 2019

- 1 CA-PUB-001 (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded*
2 *and Marginal Cost of Service Review*) What is the Brattle Group’s
3 understanding of why the Muskrat Falls project was committed for
4 construction and how has this been reflected in its review of Hydro’s
5 proposed cost of service methodology? Please address the project as a
6 whole, and its individual components; i.e., Muskrat Falls generation, LIL
7 and LTA.
8
- 9 CA-PUB-002 (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded*
10 *and Marginal Cost of Service Review*) To what extent did the Brattle
11 Group take into consideration legal requirements in the Province?
12 Specifically, which laws influenced the Brattle Group’s recommendations
13 and how?
14
- 15 CA-PUB-003 (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded*
16 *and Marginal Cost of Service Review*) Does transmission provide energy
17 benefits as well as demand benefits? If so, how should these energy
18 benefits be accounted for in a cost of service study? Is the Brattle Group
19 aware of any jurisdictions that classify a portion of transmission costs as
20 energy related?
21
- 22 CA-PUB-004 Hydro’s states (2017 GRA Volume I, page 3.25, lines 15 to 18) “*The*
23 *reduced production forecast for Hydro’s Island Interconnected System gas*
24 *turbines and diesels for 2017 through to the 2019 Test Year reflect the*
25 *reliability benefit of the planned in service of a third transmission line from*
26 *Bay d’Espoir to Western Avalon (TL267).*” Further, Hydro states that the
27 new transmission line will reduce transmission system losses (2017 GRA
28 Volume I, page 3.28, line 18), and will enable more efficient use of, and
29 decreased spill from, hydro generation (IC-NLH-090 at the 2017 GRA).
30 These statements suggest that transmission provides energy benefits,
31 which appears to be contrary to Hydro’s proposal to classify 100% of
32 transmission costs as capacity-related. Should consideration be given to
33 classifying a portion of transmission as energy-related?
34
- 35 CA-PUB-005 (Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded*
36 *and Marginal Cost of Service Review*) On page 8 lines 17 to 23 it is stated
37 that loop flow “*is no longer deemed the sole basis for determining if an*
38 *asset should be treated as a component of the transmission system*”. In the
39 Brattle Group’s opinion, what bases should be used for determining if an

1 asset should be treated as a component of the transmission system? Please
2 assign the level of importance that should be given to each basis.

3
4 CA-PUB-006

(Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and Marginal Cost of Service Review*) In a competitive electricity market, if a new generator or a new load connects to the transmission network, who is normally responsible for the costs of the transmission facilities to connect the new generator or new load to the transmission network? Is it fair to assign such costs to all customers when the facilities benefit only a few?

11
12 CA-PUB-007

(Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and Marginal Cost of Service Review*) Are the cost uncertainties discussed on page 34 of the report also relevant to the calculation of marginal costs? Are not all cost of service studies based on assumptions with a level of uncertainty, whether marginal cost-based or embedded cost-based? Does the Brattle Group support using easily calculated, verified and precise allocators in all elements of a cost of service study, or just in the case of Muskrat Falls?

20
21 CA-PUB-008

(Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and Marginal Cost of Service Review*) On page 36 (lines 13 to 15) it is stated “*curtailing consumption during peak demand is an economically appropriate goal of electricity rate making as it results in improvement in overall system load factor, and thus, results in lower unit costs*”. Does the Brattle Group support assigning as much cost as possible to demand? Is this a principle of cost of service or rate design? Is it not the purpose of a cost of service study to allocate the correct and fair amount of costs to demand as a means of fairly allocation costs to customer classes?

30
31 CA-PUB-009

(Reference May 3, 2019 report by Brattle Group, Inc entitled *Embedded and Marginal Cost of Service Review*) On page 51 (lines 3 to 4) it is stated “*We are not recommending that energy-weighting factors be used for allocating demand costs*”. Why not? For example, why not use an energy allocator over the four winter peak months?

DATED at St. John's, Newfoundland and Labrador, this 10th day of June, 2019.

Per:



Stephen Fitzgerald

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