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June 11, 2019

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: NLH Application for Revisions to Cost of Service Methodology – Requests for Information

Please find enclosed the original and 9 copies of Newfoundland Power's Requests for Information NP-PUB-001 to NP-PUB-011 in relation to the above noted Application.

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 blue ink, appearing to read "Gerard M. Hayes".

Gerard M. Hayes
Senior Counsel

Enclosures

c. Shirley Walsh
Newfoundland and Labrador Hydro

Dennis Browne, QC
Browne Fitzgerald Morgan Avis

Paul Coxworthy
Stewart McKelvey

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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 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.

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

NP-PUB-001 to NP-PUB-011

June 11, 2019

Requests for Information

NP-PUB-001

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 19, Lines 3-4.

“In either case, if the Board decides to accept the LIL and LTA as functionalized to generation, we recommend that they both be classified as demand related...”

Reference: Newfoundland and Labrador Hydro 2018 Cost of Service Methodology Review Report, November 15, 2018, Page 11, Lines 2-5.

“The Muskrat Falls Project was selected as the least cost alternative to replace Holyrood primarily based on the projected fuel costs savings over the long term; therefore from a cost causality approach, it appears reasonable that most of the Muskrat Falls Project costs would be considered energy-related.”

If the Muskrat Falls Project, of which the LIL and LTA are a part, was selected as the least cost alternative to replace Holyrood primarily based on the projected fuel costs savings, why should some portion of the LIL and LTA not be classified as energy related?

NP-PUB-002

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 16, Lines 2-14.

Does Brattle agree that a new transmission line built to connect an isolated large generating source to a distant large load is not a typical feature of North America’s highly integrated transmission networks? If agreed, is it Brattle’s opinion that it would be unreasonable to consider applying classification methods that have energy weightings to such a line?

NP-PUB-003

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 17, Line 19 to Page 18 Line 4.

“The main distinction is usually between those facilities that connect all the major power sources with each other – the backbone transmission facilities – and everything else. Utilities have identified subsystems such as generation step-up facilities, system interconnection and subtransmission, among others. These transmission system components and other non-backbone facilities may often be considered as a separate network of facilities that are either not used to support the backbone system, or represent facilities that require special recognition in the ratemaking process.”

Is it Brattle’s opinion that it would not be reasonable to provide “special recognition in the ratemaking process” to a new transmission line built

primarily to bring energy from an isolated large generating source to a distant large load, simply because it might technically be part of a larger interconnected system? Please explain.

NP-PUB-004 Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 18, Lines 5-7.

“In general, generator leads are taken to be the portion of the electrical facilities beginning at the point of interconnection to the generator and ending at, and including the low voltage side of the step up transformer that connects to the transmission system.”

In Brattle’s experience, would FERC always disregard causality in favour of a general approach as outlined in the reference? Please explain.

NP-PUB-005 Reference: Embedded and Marginal Cost of Service Review, May 3, 2019 prepared by The Brattle Group, Inc., Page 18, Lines 9-12.

“...the Federal Energy Regulatory Commission has consistently required that high voltage circuits that connect solely to a single generator, or group of generators in the case of wind farms, are deemed required to have an Open Access Transmission Tariff (OATT).”

Is Brattle aware of any jurisdiction where a large portion of the costs of transmission lines is allocated based on energy, similar to the practice of the California ISO? If so, please provide details.

NP-PUB-006 Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 19, Lines 3-4.

“In either case, if the Board decides to accept the LIL and LTA as functionalized to generation, we recommend that they both be classified as demand related...”

If the Board decides to accept the LIL and LTA as functionalized to generation, why should the LIL and LTA not be classified in the same way as the associated generation?

NP-PUB-007 Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Page 26, Lines 3-15.

“With respect to Hydro’s approach, CAEC (at 10) states:

The NARUC COS Manual reveals many different ways to classify generation plant. Some are demand-only in nature and others are a combination of demand and energy, but are termed “energy weighting methods.” Since none of the conventional approaches

can claim unchallenged superiority, the current Hydro approach of classifying on the basis of generator type, and using both demand-only and energy weighted methods appears to be within the norms of industry practice.”

We are in general agreement with this statement. Hydro’s approach – i.e., examining and analyzing the reasons that gave rise to the investment in each generation facility rather than classifying all fixed generation costs as demand related – is by definition, akin to the cost causation approach discussed above.”

Does Brattle believe that cost causation, and “the reasons that gave rise to the investment,” should also be given weight when deciding how to classify transmission? Why or why not?

NP-PUB-008

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019, The Brattle Group, Pages 27, Line 19 to Page 28, Line 3.

“Thus changing the classification methodology used for either the Muskrat Falls Project Power Purchases or the existing Hydraulic Power Purchase agreements will have a material impact on the two rate classes (Newfoundland Power and Industrial customers) depending on the load factor or each class.”

Does Brattle agree that the choice of classification methodology used for the LIL and LTA (100% demand versus equivalent peaker method) would also have a material impact on the customers of Newfoundland Power and the Industrial customers?

NP-PUB-009

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019 prepared by The Brattle Group, Inc., Page 8, Lines 30-31.

“Concerning the LIL and LTA, we recommend classifying these assets as demand related;...”

In the Manitoba Public Utilities Board’s *Order No. 164/16 Order in Respect of a Review of Manitoba Hydro’s Cost of Service Study Methodology*, the Manitoba Board decided to functionalize the transmission lines (Bipole I, II, and III) connecting “northern generation with southern load centres, acting as extensions of the northern generating stations” as generation and to classify these transmission assets as both demand and energy. What impact, if any, has this decision had on Manitoba Hydro’s ability to export power into the United States?

NP-PUB-010

Order in Council OC2013-343 requires that the cost of supply from the Muskrat Falls Project (including the LIL and the LTA) be recovered in full through Island Interconnected rates charged to the appropriate classes of

ratepayers. In Brattle's view, what implications does OC2013-343 have with regards to Hydro's Cost of Service and the inclusion of costs of the LIL and LTA in Hydro's Open Access Transmission Tariff?

NP-PUB-011

Reference: Embedded and Marginal Cost of Service Review, May 3, 2019 prepared by The Brattle Group, Inc., Page 16, Lines 1-3.

"We agree that the generation facilities at Muskrat Falls should be functionalized as generation. Concerning the LIL and the LTA, however, we believe that it is more appropriate to functionalize them as transmission."

The Newfoundland and Labrador System Operator (NLSO), *Methodology for the Development of Rates for Transmission Service* (the "Methodology") was approved by the Board in Order No. P.U. 3(2018). At Page 19, Lines 21-23, the Methodology states:

"The important issues arising from the functional allocation is to determine the level of costs to be collected through each component of the transmission. This allocation is more often influenced by provincial regulation rather than market forces or FERC."

Does Brattle agree with the above statement that functional allocation of costs is "more often influenced by provincial regulation rather than market forces or FERC"? If not, why not?

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 11th day of June, 2019.



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