



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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2019-06-10

Ms. Shirley Walsh
Senior Legal Counsel - Regulatory
Newfoundland and Labrador Hydro
P.O. Box 12400
Hydro Place, Columbus Drive
St. John's, NL A1B 4K7

Dear Ms. Walsh:

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

Enclosed are Requests for Information PUB-NLH-033 to PUB-NLH-043 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 or telephone (709) 726-6781.

Sincerely,

Cheryl Blundon
Board Secretary

CB/rr

Enclosure

ecc **Newfoundland & Labrador Hydro**
NLH Regulatory, E-mail: NLHRegulatory@nlh.nl.ca
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Labrador Interconnected Group
Senwung Luk, E-mail: 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 regulations thereunder; and
7
8

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

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NLH-033 to PUB-NLH-043

Issued: June 10, 2019

1 **Cost of Service Study Methodology Review**

2
3 **PUB-NLH-033** Reference 2018 Cost of Service Methodology Review Report, page 7, lines
4 21-24: Hydro proposes to maintain separate cost of service studies for the
5 Labrador Interconnected and Island Interconnected systems. The Brattle
6 Group in its report on page 13, line 17 to page 14, line 6 recommends that there
7 be a single integrated system for cost of service purposes in future general rate
8 application proceedings. Explain in detail whether or not (i) Hydro and (ii) CA
9 Energy agree with Brattle's recommendation in this regard.

10
11 **PUB-NLH-034** Reference 2018 Cost of Service Methodology Review Report, page 8, lines 6-
12 8: Hydro recommends that the power purchase costs resulting from the
13 Muskrat Falls Project, including the generation, the LIL and the LTA, be
14 functionalized as generation. The Brattle Group in its report at page 16, lines
15 1-3 recommends that while the generation should be functionalized as
16 generation, the LIL and LTA should be functionalized as transmission. The
17 basis for this recommendation is set out at pages 16-19. Explain in detail
18 whether or not (i) Hydro and (ii) CA Energy agree with Brattle's
19 recommendation in this regard.

20
21 **PUB-NLH-035** Reference 2018 Cost of Service Methodology Review Report, page 8, lines 1-
22 5: Hydro proposes no changes in the functionalization of transmission lines,
23 other than TL-234 and TL-263. The Brattle Group in its report at page 19, lines
24 18-19 recommends that TL-247 and TL-243 be functionalized as transmission,
25 not generation as they currently are. Explain in detail whether (i) Hydro and
26 (ii) CA Energy agree with Brattle's recommendation in this regard.

27
28 **PUB-NLH-036** Reference The Brattle Group Report, page 20, lines 1-8: Brattle recommends
29 that there be a review of Hydro's assets which provide interconnection with
30 the transmission system to determine if any need to be refunctionalized.
31 Explain in detail whether (i) Hydro and (ii) CA Energy agree with this
32 recommendation.

33
34 **PUB-NLH-037** Reference 2018 Cost of Service Methodology Review Report, page 10, lines
35 1-4: Both Hydro and CA Energy recommend the use of the equivalent peaker
36 method for classification of Muskrat Falls power purchase costs. The Brattle
37 Group in its report page 32, line 4 to page 37, line 7 recommends that these
38 costs be classified based upon system load factor. Brattle provides five reasons
39 for its recommendation. Explain in detail whether or not (i) Hydro and (ii) CA
40 Energy accept Brattle's recommendation in this regard. In the response provide
41 commentary on each of the five reasons Brattle relies on for its
42 recommendation in this regard.

43
44 **PUB-NLH-038** Reference 2018 Cost of Service Methodology Review Report, page 12, lines
45 5-7: Hydro proposes that Holyrood asset costs be functionalized as generation
46 and classified using a forecast capacity factor. The Brattle Group in its report,

1 page 38, lines 12-20, proposes that operating and incremental capital costs for
 2 Holyrood Unit 3 be classified as energy while original capital costs and
 3 depreciation be classified as demand. Explain in detail whether (i) Hydro and
 4 (ii) CA Energy agree with Brattle's recommendation in this regard.
 5

6 **PUB-NLH-039** Reference 2018 Cost of Service Methodology Review Report, page 12, Table
 7 2: Hydro proposes that it continue classifying Island Interconnected and
 8 Labrador Interconnected diesel and gas turbine units and variable fuel costs as
 9 demand. The Brattle Group in its report at page 44, lines 2-9 recommend that
 10 variable fuel costs be classified as energy. Explain in detail whether (i) Hydro
 11 and (ii) CA Energy agree with this recommendation.
 12

13 **PUB-NLH-040** Reference 2018 Cost of Service Methodology Review Report, page 18, lines
 14 13-20: Hydro proposes that net export revenues be included in the test year
 15 cost of service study for rate making with variations from forecast net export
 16 revenues dealt with through a deferral account. The Brattle Group in its report,
 17 page 61, lines 4-7, recommend that a rate rider be established for net export
 18 revenues with a periodic true-up. Explain whether (i) Hydro and (ii) CA
 19 Energy agree with Brattle's recommendation in this regard.
 20


21 **PUB-NLH-041** Reference 2018 Cost of Service Methodology Review Report, page 21, Tables
 22 5 and 6: Please provide revised Tables 5 and 6 that include an additional
 23 column that shows the allocated revenue requirements and changes in unit
 24 costs if all of Brattle's recommendations are accepted.
 25

26 **PUB-NLH-042** Please provide a table in the same format as Table 7 on page 22 of the 2018
 27 Cost of Service Methodology Review Report that shows the impact on the
 28 2021 Illustrative Revenue Requirement of the implementation of each
 29 recommendation made by The Brattle Group that is different than Hydro's
 30 proposals.
 31

32 **PUB-NLH-043** Please provide a table in the same format as Table 8 on page 22 of the 2018
 33 Cost of Service Methodology Review Report that shows the impact on 2021
 34 unit costs of the implementation of each recommendation made by The Brattle
 35 Group that is different than Hydro's proposals.

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

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
 Cheryl Blundon
 Board Secretary