



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
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2019-08-14

Mr. Gerard Hayes
Senior Counsel
Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6

Dear Mr. Hayes:

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

Enclosed are Requests for Information PUB-NP-001 to PUB-NP-017 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/cs

Enclosure

ecc **Newfoundland & Labrador Hydro**
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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-NP-001 to PUB-NP-017

Issued: August 14, 2019

1 **Cost of Service Study Methodology Review**

2
3 **PUB-NP-001**

Reference Prefiled Evidence of Larry Brockman, page 4, lines 17-18:

- 4 (i) Please provide citations in the 1992 NARUC Manual cited in footnote 4,
5 the Bonbright *et. al.* book cited in footnote 5 and any other reference that
6 supports the statement: “[c]ost causation, or the principle of cost causality,
7 is mostly referred to in the classification stage of a cost of service study.”
8 (ii) Does cost causation play a role in the allocation stage of a cost of service
9 study?
10 (iii) Does cost causation play a role in the functionalization stage of a cost of
11 service study?
12

13 **PUB-NP-002**

Reference Prefiled Evidence of Larry Brockman, page 6, lines 1-6: What
14 principles does Mr. Brockman use for the allocation stage of a cost of service
15 study?
16

17 **PUB-NP-003**

Reference Prefiled Evidence of Larry Brockman, page 6, lines 18-21:

- 18 (i) Please provide exact citation to “Hydro’s evidence”.
19 (ii) Please define the word “basis” as Mr. Brockman uses it in the sentence.
20 (iii) Is it Mr. Brockman’s position that “long-term fuel cost savings” were the
21 only reason for “proceeding with the Muskrat Falls Project”?
22 (iv) Is it Mr. Brockman’s position that minimizing revenue requirements over
23 the lifetime of a generation resource is not Hydro’s planning criteria?
24

25 **PUB-NP-004**

Reference Prefiled Evidence of Larry Brockman, page 11, lines 1-3:

- 26 (i) With respect to the use of the word “primarily” what are the other reasons
27 why the Muskrat Falls Project was selected as the least cost option, please
28 provide citation.
29 (ii) If more than one future growth scenario was considered in the resource
30 plan, what are the least-cost options that corresponded to those scenarios?
31

32 **PUB-NP-005**

Reference Prefiled Evidence of Larry Brockman, page 11, lines 1-7:

- 33 (i) Does Mr. Brockman believe that the equivalent peaker method is the only
34 energy-weighted approach that reflects the cost causality of a generation
35 investment selected primarily based on fuel savings over the long term?
36 (ii) If the answer to (i) above is no, please list other energy-weighted
37 approaches that reflect the cost causality of a generation investment
38 selected primarily based on fuel savings over the long term.
39 (iii) For the list of energy-weighted approaches listed in (ii) above, including
40 the equivalent peaker, how would Mr. Brockman decide and rank which
41 energy-weighted approaches are better at reflecting the cost causality of a
42 generation investment selected primarily based on fuel savings over the
43 long term?

- 1 **PUB-NP-006** Reference Prefiled Evidence of Larry Brockman, page 12, lines 4-7:
- 2 (i) Please provide citations in the cost of service literature that supports Mr.
3 Brockman's position that the equivalent peaker method is a superior
4 method for a generation investment selected primarily on fuel savings
5 over the long run.
- 6 (ii) How many utilities in Canada use the equivalent peaker method method
7 for their: 1) hydro; and 2) non-hydro generation resources? Please provide
8 citations.
- 9 (iii) How many utilities in the United States use the method for their: 1) hydro;
10 and 2) non-hydro generation resources? Please provide citations.
- 11 (iv) Is it Mr. Brockman's position that the equivalent peaker method is a
12 commonly-used method for classification purposes for hydro generation
13 resources? What about for non-hydro generation resources?
14
- 15 **PUB-NP-007** Reference Prefiled Evidence of Larry Brockman, page 12, lines 6-7:
- 16 (i) Is it Mr. Brockman's position that any classification method that is not
17 directly related to the cost of the mix of generation upon which generation
18 planning decisions are made is inferior to the equivalent peaker method?
- 19 (ii) In Mr. Brockman's opinion, when would a classification method that is
20 not directly related to the cost of the mix of generation upon which
21 generation planning decisions are made be appropriate?
22
- 23 **PUB-NP-008** Reference Prefiled Evidence of Larry Brockman, regarding the system load
24 factor:
- 25 (i) All else equal, does Mr. Brockman agree that a higher system load factor
26 implies lower unit generation costs for the mix of generation assets
27 compared to a lower system load factor?
- 28 (ii) Is it Mr. Brockman's position that a utility's system load factor provides
29 no information about the utilities unit generation costs?
30
- 31 **PUB-NP-009** Reference Prefiled Evidence of Larry Brockman: Is it Mr. Brockman's position
32 that Hydro's current use of the system load factor classification methodology
33 for its existing hydraulic assets does not reflect the cost causality of those
34 investment decisions? If the answer is no, please fully explain why.
35
- 36 **PUB-NP-010** Reference Prefiled Evidence of Larry Brockman, regarding Mr. Brockman's
37 reference of the NARUC Manual, see page 35 section under III. Classification,
38 A. Cost Accounting Approach:
- 39 (i) Is the Cost Accounting Approach related to the cost of the mix of
40 generation upon which generation planning decisions were made?
- 41 (ii) Are there any situations where Mr. Brockman recommends the use of the
42 Cost Accounting Approach for classification of generation plant?

- 1 **PUB-NP-011** Reference Prefiled Evidence of Larry Brockman: Has Mr. Brockman ever
 2 recommended a classification methodology for hydro generation assets other
 3 than the equivalent peaker? If so, please provide citations to the proceeding and
 4 provide the report.
 5
- 6 **PUB-NP-012** Reference Prefiled Evidence of Larry Brockman, page 12, lines 14-19:
 7 (i) Has Mr. Brockman calculated the equivalent peaker method in the past
 8 for a cost of service proceeding? If so, please provide citations to the
 9 proceeding and provide the reports and underlying analyzes undertaken.
 10 (ii) For each cost of service proceeding where Mr. Brockman has calculated
 11 the equivalent peaker method, please indicate if the method was adopted
 12 by the Commission.
 13
- 14 **PUB-NP-013** Reference Prefiled Evidence of Larry Brockman, page 15, lines 20-21:
 15 (i) Please provide the citations supporting the assertion made about
 16 Manitoba.
 17 (ii) Did Mr. Brockman investigate the cost of service treatment in other
 18 Canadian utilities? If so, please provide his findings and conclusions.
 19
- 20 **PUB-NP-014** Reference Prefiled Evidence of Larry Brockman, page 24, footnote 66:
 21 (i) Does Mr. Brockman agree with the Manitoba Public Utilities Board that
 22 cost causation takes into consideration both how an asset is planned and
 23 how that asset is used?
 24 (ii) If no, please explain.
 25 (iii) If yes, please elaborate on how cost causation takes into consideration
 26 how an asset is used, using the LIL and LTA as the asset in question.
 27
- 28 **PUB-NP-015** Reference Prefiled Evidence of Larry Brockman: Does Mr. Brockman believe
 29 that increases in the demand for energy in the IIS will cause Hydro to
 30 experience increased costs on the LIL or the LTA?
 31
- 32 **PUB-NP-016** Reference Prefiled Evidence of Larry Brockman: Can the LIL be used to import
 33 (export) energy or capacity from (to) North American electricity markets?
 34
- 35 **PUB-NP-017** Reference Prefiled Evidence of Larry Brockman: Can the LTA be used to
 36 import (export) energy or capacity from (to) North American electricity
 37 markets?

DATED at St. John's, Newfoundland this 14th day of August 2019.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per _____

Cheryl Blundon
 Board Secretary