



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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2018-07-26

Kelly Hopkins
Corporate Counsel
Newfoundland Power Inc.
55 Kenmount Road
P.O. Box 8910
St. John's, NL A1B 3P6

Dear Ms. Hopkins:

**Re: Newfoundland Power Inc. - 2019-2020 General Rate Application
Requests for Information**

Enclosed are Information Requests PUB-NP-001 to PUB-NP-071 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.

Yours truly,

Cheryl Blundon
Board Secretary

CB/cj
Enclosure

ecc Newfoundland Power Inc.
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NP Regulatory, E-mail: regulatory@newfoundlandpower.com
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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
7 **IN THE MATTER OF** a general rate
8 application filed by Newfoundland Power Inc.
9 to establish customer electricity rates for 2019
10 and 2020.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-NP-001 to PUB-NP-071

Issued: July 26, 2018

1 **2019-2020 General Rate Application, Company Evidence**
2
3

4 **Section 1: Introduction**
5

6 **PUB-NP-001** Page 1-4, lines 1-2: Are the causes of Newfoundland Power customer outages
7 similar to the causes of the outages used to calculate the Canadian average?
8

9 **PUB-NP-002** Page 1-4, line 10: Please describe in detail the practices or initiatives
10 Newfoundland Power relies on for sound cost management. In the response
11 provide cost savings, if any, associated with each practice or initiative in the
12 period 2016-2018F.
13

14 **PUB-NP-003** Page 1-4, line 10: Please explain the basis for the statement that Newfoundland
15 Power demonstrates “sound cost management”.
16

17 **PUB-NP-004** Page 1-5, lines 9-13: Please list each of Newfoundland Power’s current
18 collective agreements and provide the term of each, the annual wage
19 adjustments for each agreement and any special monetary adjustments agreed
20 to.
21

22 **PUB-NP-005** Please provide a comparison of Newfoundland Power’s 2018 hourly wage rates
23 with other Atlantic Canada utilities for Industrial Electricians, Power Line
24 Technicians and any other classification where data is available.
25

26 **PUB-NP-006** Page 1-5, lines 9-13: Please provide for each group the average annual
27 wage/salary increase given or forecast for union, non-union and executive
28 employees for the period 2016-2020F.
29

30 **PUB-NP-007** Page 1-5, lines 11-12: Please provide the calculation or analysis to demonstrate
31 Newfoundland Power’s operating labour cost increase at a rate approximately
32 1.7% per year is lower than the labour rate inflation.
33

34 **PUB-NP-008** Page 1-5, lines 15-16: Please provide details of the increased labour costs
35 related to the planning of the replacement of the customer service system.
36

37 **PUB-NP-009** Describe any organizational changes that have taken place since the last
38 general rate application in 2016 and provide the most recent organizational
39 chart for Newfoundland Power.
40

41 **PUB-NP-010** Please provide the details of all Newfoundland Power incentive or bonus plans
42 including the eligible participants, the criteria for payment and the amounts
43 paid in 2016-2018F, inclusive.

- 1 **PUB-NP-011** Provide the amounts included in forecast operating costs for 2019 and 2020 for
2 incentive and bonus payments and explain the calculation of each annual
3 amount.
4
- 5 **PUB-NP-012** Page 1-6, lines 10-22: Please describe in detail the extent to which
6 Newfoundland Power has been involved in discussions with Newfoundland
7 Hydro and/or Nalcor Energy and the Government of Newfoundland and
8 Labrador regarding the consequences for its customers of the recovery of costs
9 of the Muskrat Falls Project, including discussions, if any, on plans for rate
10 mitigation.
11
- 12 **PUB-NP-013** Page 1-6, lines 18-20: Has Newfoundland Power performed any analysis on
13 how it might address the pending rate increases related to the addition of the
14 Muskrat Falls Project?
15
- 16 **PUB-NP-014** Page 1-7, lines 20-24: In Order No. P.U. 18(2016) at page 19, lines 26-33 the
17 Board found that Newfoundland Power was an average risk utility. Please
18 describe in detail how from the company's perspective risks have increased for
19 Newfoundland Power and its customers since 2016 associated with the
20 commissioning of the Muskrat Falls Project and the provincial economy so that
21 it now would be considered to have above-average business risk. In the
22 response include how any increased risk since 2016 can be determined both
23 qualitatively and quantitatively.
24
25
- 26 **Section 2: Customer Operations**
27
- 28 **PUB-NP-015** Page 2-7, lines 6-8: What are the estimated total savings each year for the
29 period 2016 to 2018F from use of ebills? In the response include labour costs
30 and any specific expense or savings such as postage costs.
31
- 32 **PUB-NP-016** Page 2-11, lines 10: Will Newfoundland Power complete the assessment of its
33 customer service delivery function itself or have an outside consultant
34 complete the assessment?
35
- 36 **PUB-NP-017** Page 2-11, Table 2-4: Are any costs related to the assessment of the Customer
37 Service System replacement included in the 2019-2020 forecast revenue
38 requirements.
39
- 40 **PUB-NP-018** Pages 2-24 - 2-25: The data indicates that the average duration of outages has
41 been approximately half the Canadian average from 2008-2017 while the
42 average number of outages has been broadly consistent with the Canadian
43 average. What role does reliability performance in relation to Canadian peers
44 factor into Newfoundland Power's consideration of capital and operating
45 reliability projects? In the response include whether Newfoundland Power has

- 1 identified a target for reliability performance such as performance at the
 2 Canadian average or top quartile.
 3
- 4 **PUB-NP-019** Pages 2-22 - 2-25: Explain how Newfoundland Power weighs and/or balances
 5 reliability improvement for customers versus the cost of providing an
 6 improvement in reliability when considering operating and capital projects.
 7
- 8 **PUB-NP-020** Page 2-26, line 9 to page 2-27, line 3: Is Newfoundland Power reviewing its
 9 design standards for wind in light of the number of significant events involving
 10 wind speeds in excess of 100 km/hr in the period 2010-2017?
 11
- 12 **PUB-NP-021** Page 2-31, lines 10-11: Does Newfoundland Power have plans to continue the
 13 automation of the remaining feeders within the distribution system? Are the
 14 remaining feeders grouped in specific geographic areas or are they generally
 15 dispersed over the distribution system?
 16
- 17 **PUB-NP-022** Page 2-30, lines 13-19: What are Newfoundland Power's current plans for
 18 managing the replacement of journeyman Power Line technicians and other
 19 essential positions due to retirements?
 20
- 21 **PUB-NP-023** Page 2-32, Table 2-7: Provide a re-stated Table 2-7 to show Gross Operating
 22 Costs from 2015 to 2020F with inflation based on the CPI index only added for
 23 each year subsequent to 2015.
 24
- 25 **PUB-NP-024** Page 2-35, lines 5-6: How are overtime costs factored into the forecast for
 26 future base labour costs?
 27
- 28 **PUB-NP-025** Page 2-37, Footnote 83: Provide the amount included in each of 2018, 2019
 29 and 2020 for each of the regulatory proceedings listed.
 30
- 31 **PUB-NP-026** Page 2-38, Table 2-12: Provide the overall average salary forecast for each year
 32 2018-2020, including any average bonus payments for Newfoundland Power's
 33 employees.
 34
- 35 **PUB-NP-027** Page 2-41, Table 2-14: Provide a brief explanation of the increase in
 36 substations expenditures from \$12.8 million in 2018F to \$17.1 million in
 37 2020F.
 38
- 39 **PUB-NP-028** Page 2-41, Table 2-14: Provide a brief explanation of the increase in
 40 transmission expenditures from \$7.2 million in 2018F to \$11 million in 2020F.
 41
 42
- 43 **Section 3: Finance**
 44
- 45 **PUB-NP-029** Page 3-4, Table 3-2: Explain what is included in "Provisioning Work" and
 46 "Miscellaneous".

- 1 **PUB-NP-030** Page 3-5, Table 3-3: What cost increase in purchases from Hydro has been
2 assumed for 2018-2020 flowing from Hydro's current general rate application
3 proceeding?
4
- 5 **PUB-NP-031** Page 3-32, lines 5-9: Please provide all capital and operating costs incurred
6 from 2008-2015 that have arisen solely due to severe weather conditions. State
7 what costs have not been recovered from customers and their impact on
8 Newfoundland Power's financial position.
9
- 10 **PUB-NP-032** Page 3-35, Table 3-16: Re-state table to show the credit metrics if the proposals
11 for 2019 and 2020 were based on a return on equity of 8.75%, 9.00% and
12 9.25% in addition to the proposed 9.5%.
13
- 14 **PUB-NP-033** Provide the reduction in the proposed 2019 and 2020 revenue requirements and
15 the impact on customer rates if the return on equity is set at 8.75%, 9.0% and
16 9.25% with no other change from the proposals in the Application.
17
- 18 **PUB-NP-034** Provide information on Newfoundland Power's financial position at 1%
19 reduced intervals in the equity component at ROE's of 9.5%, 9.25%, 9.00%
20 and 8.75% in the same format as in Undertaking U-4 in the Newfoundland
21 Power's 2016/2017 General Rate Application.
22
- 23 **PUB-NP-035** List all return on equity established by a Canadian regulator in a decision since
24 2016 and provide references to the decision establishing the return on equity.
25
- 26 **PUB-NP-036** Have any Canadian utilities changed their capital structure since 2016? If yes,
27 provide details of the changes.
28
- 29 **PUB-NP-037** Page 3.38, lines 4-11: Please confirm that it is Newfoundland Power's position
30 that the current state of the financial market, specifically the abnormally low
31 long Canada bond yield, is the only reason for the continued suspension of the
32 automatic adjustment formula.
33
- 34 **PUB-NP-038** Page 3-38, lines 4-10: Has Newfoundland Power considered any other
35 alternative, other than continued suspension, to the current automatic
36 adjustment formula to adjust the return on equity between rate applications?
37
- 38 **PUB-NP-039** Page 3-38, Footnote 89: What has been the effect on the return on equity for
39 the Ontario utilities as a result of the Ontario Energy Board leaving the
40 automatic adjustment formula in place?
41
- 42 **PUB-NP-040** Exhibit 2: Why are Computing Equipment costs increasing from \$1.45 million
43 in 2017 to \$2.1 million in 2020F?

1 **Volume 2, Labour Forecast 2018-2020**

2
3 **PUB-NP-041** Volume 2, Labour Forecast 2018-2020, Schedule A, page 2, footnote 10:
4 Provide the justification for each position in the forecast overall increase in
5 FTEs of 8.4.
6

7 **PUB-NP-042** Volume 2, Labour Forecast 2018-2020 Schedule B, page 2, footnote10.
8 Provide the justification for each position in the forecast overall increase in
9 FTEs of 5.5.
10

11 **PUB-NP-043** Volume 2, Labour Forecast 2018-2020, Schedule C, page 2, footnote 10:
12 Provide the justification for each position in the forecast increase in FTEs of
13 3.5 in 2020.
14
15

16 **Volume 2, 2018 Rules and Regulations Review**

17
18 **PUB-NP-044** Please explain why Newfoundland Power believes that a policy which allows
19 refusal of service in all circumstances where a co-occupant has a balance
20 owing is fair.
21

22 **PUB-NP-045** Does the co-occupant policy allow Newfoundland Power to refuse to provide
23 service to a group of university students where one of them has a previous debt
24 associated with a previous tenancy with different people, or to elderly parents
25 of an adult who has arrears and has moved back in with his or her parents, or
26 where a customer takes in a family member or a friend who is a single mother
27 with arrears?
28

29 **PUB-NP-046** What are the pros and cons of qualifying the co-occupant policy so that it is
30 similar to the approach of some other utilities where service is refused only
31 when the individuals were co-occupants when the debt was accrued, or if the
32 co-occupant was listed on the account?
33

34 **PUB-NP-047** Are there any other approaches to co-occupants that may be considered and
35 what are the pros and cons; for example refusal only where there is evidence of
36 fraud, or requiring a deposit rather than refusing service?
37

38 **PUB-NP-048** How much money does Newfoundland Power recover through the co-occupant
39 rule on an annual basis and how many times a year on average is this rule
40 exercised?
41

42 **PUB-NP-049** Provide the number of applicants that have been denied service each year in the
43 period 2013 to 2017 due to the co-applicant being in arrears.

- 1 **PUB-NP-050** Provide the guidelines or policies on co-applicants that are used by customer
2 service staff in dealing with refusal to provide service when a co-occupant is in
3 arrears.
4
- 5 **PUB-NP-051** Five of the utilities surveyed will transfer service to the landlord when the
6 tenant has arrears. How do these utilities deal with the arrears and handle these
7 situations? What is the rationale for Newfoundland Power not following a
8 similar practice?
9
- 10 **PUB-NP-052** Newfoundland Power stated in relation to the policy of refusing to transfer
11 service to a landlord until payment is made or the tenant has vacated the
12 property:
13
14 *This practice limits a customer's ability to continue accruing arrears and*
15 *ensures all customers are required to pay for the service they receive.*
16
17 If the service is transferred to the landlord, wouldn't this discontinue the tenant
18 accruing arrears as the landlord is then responsible?
19
- 20 **PUB-NP-053** Does the policy of refusing to transfer service to a landlord until payment is
21 made or the tenant has vacated the property permit Newfoundland Power to
22 refuse to transfer even where the landlord has taken action to remove the tenant
23 but the tenant has not yet moved out?
24
- 25 **PUB-NP-054** Does the new Revised Tenancies Act have any implications for Newfoundland
26 Power's policies with respect to landlords and tenants? If so, please identify the
27 sections of the Act that have implications.
28
29

30 **Volume 2 – Cost of Capital Report by James Coyne**

- 31
- 32 **PUB-NP-055** In Order No. P.U. 13(2013), page 31, lines 13-16 and Order No. P.U. 18(2016),
33 page 39, lines 14-25 the Board expressed concern on the assumption of
34 constant growth in perpetuity and no offsetting adjustment for analysts' bias in
35 the Constant Growth DCF method used by Mr. Coyne to estimate a fair return
36 for Newfoundland Power. Mr. Coyne addressed the concern on analysts' bias
37 on page 29 and referred to various factors which, in his opinion, demonstrate
38 that projected analyst growth rates are reasonable. What changes have occurred
39 since the Board's decision in 2016 that would lead the Board in 2018 to reach a
40 different conclusion on the issue of analysts' bias in the Constant Growth DCF
41 method?
42
- 43 **PUB-NP-056** Has there been a decision by a Canadian regulator that considered the use of
44 the Constant Growth DCF method in determining a fair return for a utility since
45 Order No. P.U. 18(2016)? If yes, provide a copy of the decision.


- 1 **PUB-NP-057** The Constant Growth DCF method results, shown in Figure 1, page 3, are the
2 highest of the methods used for all three proxy groups used by Mr. Coyne.
3 What conclusion, if any, can be drawn from the fact that the Constant Growth
4 DCF method produces the highest return including whether the results
5 demonstrate that the use of analysts' assumptions with no adjustment for bias
6 does always produce higher results than other methods?
7
- 8 **PUB-NP-058** In Order No. P.U. 13(2013) and Order No. P.U. 18(2016) the Board accepted
9 that there are differences in the U.S. and Canadian experience that require
10 adjustment to the DCF method results. Mr. Coyne, at page 33, line 14 to page
11 34, line 16, states no such adjustment is required. What changes, if any, have
12 occurred since 2016 that demonstrate that the differences determined by the
13 Board to exist in 2016 no longer exist?
14
- 15 **PUB-NP-059** In Order No. P.U. 13(2013), page 31, lines 13-16 and Order No. P.U. 18(2016),
16 page 39, lines 14-25 the Board decided a downward adjustment of 50 to 100
17 basis points should be made to the DCF method to account for differences in
18 U.S. and Canadian experience. On page 33, lines 16-20 and on page 34, line
19 12-13 of his report, Mr. Coyne states that an adjustment in the U.S. results is
20 not required and states the results for the U.S. proxy groups are already below
21 the Canadian proxy group. Figure 9 from Mr. Coyne's October 16, 2015
22 Report in Newfoundland Power's 2016-2017 General Rate Application shows
23 that DCF results were also higher for the Canadian proxy group than the U.S.
24 one at that time. Why should the Board conclude now that the fact the DCF
25 results are higher for the Canadian proxy group than the U.S. group is a
26 relevant factor?
27
- 28 **PUB-NP-060** Page 33, line 19 to page 34, line 16: Mr. Coyne states that in his opinion the
29 U.S. electric utility proxy group is more comparable to Newfoundland Power
30 than the Canadian utility proxy group companies and this is a reason that no
31 adjustment is required to account for differences in U.S. and Canadian
32 experience. Mr. Coyne expressed the same opinion in his October 16, 2015
33 report at page 25, lines 6-15 in Newfoundland Power's 2016-2017 General
34 Rate Application. Why should the Board conclude now when it did not in 2016
35 that the similarity of the U.S. proxy group to Newfoundland Power is a factor
36 that supports a finding that no adjustment should be made to account for
37 differences in the U.S. and Canadian experience?
38
- 39 **PUB-NP-061** Have there been any regulatory decisions in Canada since Order No. P.U.
40 18(2016) that have used unadjusted U.S. data in setting the fair return for a
41 Canadian regulated utility? If yes, provide copies of the decision.
42
- 43 **PUB-NP-062** In Order No. P.U. 18(2016) at page 38, lines 1-6 the Board accepted a forecast
44 risk rate based on the two test years. Provide Mr. Coyne's Figures 16 and 17
45 with the risk free rate based on a two year, not a three year, forecast.

- 1 **PUB-NP-063** Page 38: What weight, if any, does Mr. Coyne think that forecasts of market
2 risk premiums from third parties should be given in determining the
3 appropriate market risk premiums? If any consideration is appropriate what
4 third party forecasts should be considered in Mr. Coyne’s opinion?
5
- 6 **PUB-NP-064** Page 39, lines 6-15: State what Mr. Coyne’s “unadjusted” CAPM would be if
7 he had made no adjustments to his CAPM analysis for current market
8 conditions.
9
- 10 **PUB-NP-065** Page 39, lines 6-15: State the impact of each adjustment made to the
11 calculation of the ROE using the CAPM model that was made to adjust for
12 current market conditions.
13
- 14 **PUB-NP-066** Page 41, Figure 21: Re-state Figure 21 to include for each utility the allowed
15 ROE in 2016, the current allowed ROE, the date of the decision approving the
16 current allowed ROE and the date, if available, that the ROE is expected to be
17 reviewed by the regulator.
18
- 19 **PUB-NP-067** Page 45, Figure 22: Re-state Figure 22 to include the date when the capital
20 structure was last reviewed and approved by the regulator.
21
- 22 **PUB-NP-068** Page 46, Figure 23: Explain why, in Mr. Coyne’s opinion, the authorized
23 equity ratio has been historically higher for U.S. utilities than Canadian
24 investor owned utilities. In the response include whether the higher equity ratio
25 reflects the existence of higher financial or business risks for the U.S. utility
26 group than for Canadian utilities.
27
- 28 **PUB-NP-069** Page 57, lines 1-9: Mr. Coyne has concluded that Newfoundland Power’s
29 business risk is higher than it was in 2015 due to greater risks associated with
30 future higher electricity prices, reliability concerns associated with Muskrat
31 Falls, and the forecast macroeconomic and demographic trends for the
32 provincial economy. Please explain the degree to which these risks have
33 increased since 2015. In the response include Mr. Coyne’s opinion on whether
34 the change in each risk since 2015 is minor or material and whether it is
35 possible to quantify the degree of change.
36
- 37 **PUB-NP-070** Page 63, lines 21-29: Mr. Coyne has concluded that Newfoundland Power has
38 above average business risk compared to other Canadian utilities. Mr. Coyne
39 also concluded (page 57, lines 1-9) that Newfoundland Power business risk had
40 increased since 2015 due primarily to increased risk associated with the
41 Muskrat Falls project and the forecast macroeconomic and demographic trends
42 for the provincial economy. In 2016 the Board determined that Newfoundland
43 Power had average business risk compared to other Canadian utilities. Are
44 there any risks since 2015 other than those cited above that increase
45 Newfoundland Power’s business risk in comparison to other Canadian utilities?

1 **PUB-NP-071** Page 69, lines 1-21: Describe the conditions that would need to exist in Mr.
2 Coyne's opinion before an automatic adjustment mechanism could be re-
3 instituted for Newfoundland Power.

DATED at St. John's, Newfoundland this 26th day of July, 2018.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
Cheryl Blundon
Board Secretary