

March 13, 2015

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, Newfoundland & Labrador
A1A 5B2

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro's 2013 AMENDED General Rate Application

Hydro's Amended General Rate Application is seeking rates based upon a 2015 Test Year. To date, Hydro has filed Cost of Service and other detailed information for 2013, 2014 and 2015. Hydro has recently received a number of Requests for Information (RFIs), and requests for updates to RFIs, from Newfoundland Power (NP) which would require information and forecast data for 2016 and 2017. Hydro seeks a ruling from the Board that states that Hydro is not required to provide this information in this hearing.

While it is hypothetically possible to provide 2016 and 2017 forecast data, it is not required, useful or otherwise relevant to an understanding of the issues before the Board in this Application which seeks rates based upon a 2015 Test Year. Moreover, providing this forecast data for 2016 and 2017 at this time will likely prolong or delay certain steps in the hearing processes due to the time required to generate the requested forecast data.

The record is already extremely voluminous and extensive and provides the Board and parties more than enough specific and contextual information so that full consideration can be given to the issues that are relevant in this matter. In all regulatory proceedings, a balance has to be struck between acquiring every relevant piece of evidence and that which can be practically and efficiently provided by the Applicant and analyzed and considered by the Board and parties for decision-making purposes. That is, the Board should consider whether the value and relevance of the evidence or information sought is proportional to the effort required to produce and review the information. In Hydro's view, very little is to be gained by inundating the parties and Board with additional extensive data comprising detailed 2016 and 2017 forecast information, particularly where Hydro has provided sufficient high-level financial information for the Board's and the parties' consideration of the relevant issues.

The RFIs that Hydro believes should be struck are the following, which were requested by NP to include both 2016 and 2017 forecast information:

NP-NLH-005

This RFI response provides detailed O&M information by both cost type and business unit. In total, projecting this information as requested requires 51 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

NP-NLH-023

This RFI response provides detailed FTE information for both permanent and temporary employees. This RFI contains six pieces of information for both 2016 and 2017. Without a completed budget for those fiscal years Hydro is not able to provide a meaningful forecast of FTEs.

NP-NLH-025

This RFI response provides detailed information regarding costs charged to and from regulated Hydro and its affiliate companies. This RFI contains four pieces of information for both 2016 and 2017. Without a completed budget for those fiscal years Hydro is not able to provide a meaningful forecast of these charges.

NP-NLH-092

This RFI response provides a detailed breakdown of the main factors impacting increases in salaries and benefits. This RFI contains three pieces of information for both 2016 and 2017. Without a completed budget for those fiscal years Hydro is not able to provide a meaningful forecast of salaries and benefits costs and their relationship to FTEs and labour recharges.

NP-NLH-221

This RFI response provides a detailed breakdown of the hours and dollars charged to Hydro by the Nalcor leadership team. This RFI contains twelve pieces of information for both 2016 and 2017. Without a completed budget for those fiscal years Hydro is not able to provide a meaningful forecast of hours and dollars allocated to Hydro vs. other Nalcor entities.

NP-NLH-223

This RFI response provides a detailed breakdown by position of employees' time and dollars charged into Hydro from affiliate entities. In total, projecting this information as requested requires 50 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

NP-NLH-243

This RFI response provides a detailed listing of operating expenses by cost type. In total, projecting this information as requested requires 19 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

PUB-NLH-169

An update to this revised RFI response has been requested by NP.

This RFI response provides detailed common service costs by business unit and significant cost types. In total, projecting this information as requested requires 39 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

PUB-NLH-170

An update to this revised RFI response has been requested by NP.

This RFI response provides detailed corporate service charges to and from all major business units in Nalcor. In total, projecting this information as requested requires 40 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

PUB-NLH-228

An update to this revised RFI response has been requested by NP.

This request is a duplication, as this same forecast information was requested by NP in NP-NLH-221 above.

PUB-NLH-240

An update to this revised RFI response has been requested by NP.

This RFI response provides a detailed breakdown by position of employee's time charged into Hydro from the Project Execution and Technical Services business unit. In total, projecting this information as requested requires 29 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

PUB-NLH-252

An update to this revised RFI response has been requested by NP.

This RFI response provides a detailed breakdown by position of employee's time charged into Hydro from the Nalcor Financial Planning Services business unit. This RFI contains seven pieces of information for both 2016 and 2017. Without a completed budget for those fiscal years Hydro is not able to provide a meaningful forecast of hours allocated to Hydro vs. other Nalcor entities.

PUB-NLH-260

An update to this revised RFI response has been requested by NP.

This RFI response provides a detailed breakdown by position of employee's time charged into Hydro from the Finance Services business unit. In total, projecting this information as requested requires 28 pieces of forecast budget information for both 2016 and 2017. This information is not currently available as Hydro has not yet commenced its 2016 budget cycle.

In total, NP has requested over 250 pieces of forecast information for both 2016 and 2017. Hydro submits that these requests are unreasonable, unduly onerous and request information which is beyond that which is relevant to the issues at hand. The time, effort, and expense involved in the compilation of the requested information is not warranted by or proportional to the relevance, if any, of the information sought, by the significance of that information in the proceeding, or by the probative value of the results.

Requesting only select forecast information beyond the 2015 Test Year, as NP has in the RFIs noted above, will not provide an accurate picture of Hydro's results in future years. Conversely, providing this information in complete detail would be burdensome and not in accordance with sound public utility practice.

NP has argued in previous proceedings that using information beyond the test year is not consistent with the test year concept in the ratemaking process. In NP's 2008 Income Tax Deferral Application, response to PUB-NP-3¹, NP states:

"The electricity rates approved by the Board in Order No. P.U. 32(2007) were based on a 2008 test year. In years subsequent to a test year, Newfoundland Power will inevitably experience changes in its costs that are not reflected in the test year forecast of revenue requirement. From a ratemaking perspective, the corporate income tax changes scheduled to come into effect in 2009 and 2010 are no different than other changes in Newfoundland Power's costs that will inevitably occur in those years."

....

¹ Application for Approval of the 2008 Income Tax Deferral Account and the 2008 Income Tax True-up, response to PUB-NP-3, Page 1 of 2, Lines 31 – 36 and Page 2 of 2, Lines 6 – 8.

“Order No. P.U. 32 (2007) did not address proposed 2009 or 2010 corporate tax rate reductions. They were beyond the 2008 test year. Accordingly, no extraordinary treatment with respect to 2009 and 2010 corporate tax rate reductions is warranted.”

The Board then stated in their decision on this matter, P.U. (10)2008²:

“**WHEREAS** the Board accepts Newfoundland Power’s submission that there is not sufficient evidentiary record in this process to allow for a full consideration of the issue of future corporate tax reductions beyond 2008 and how or whether these benefits should be passed on to consumers and, as a result, the Board will consider this matter in a subsequent process.”

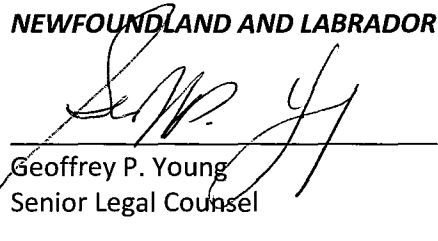
While this issue in the NP hearing arose in the context of the impact of a change in income tax circumstances, the principle applies equally to the present matter—Hydro is being asked to provide certain information evidence for a future year and that information is outside the test year, onerous to provide, and of no or limited value or relevance given the fact that, as NP pointed out in the above-noted proceeding, it is inevitable that many other cost factors will change in the coming two years.

In summary, Hydro is not opposed to providing forecast pro forma financial information at a high level for the Board’s and NP’s consideration. It is the provision of this information at the detailed level, as requested in these RFIs by NP, with which Hydro takes issue. Hydro therefore asks that it be relieved of the requirement to provide the detailed 2016 and 2017 forecast data requested with regard to the above-noted RFIs.

Please contact the undersigned if there are any questions arising from the foregoing.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O’Reilly, Q.C. – Cox & Palmer
Senwung Luk – Olthuis, Kleer, Townshend LLP

Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Hearn, Q.C. – Miller & Hearn
Genevieve M. Dawson – Benson Buffett

² An Order of the Board No. P.U. 10(2008), Page 3, Lines 13 – 16.