

June 15, 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**

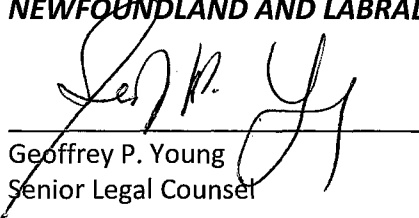
Dear Ms. Blundon:

**Re: Newfoundland and Labrador Hydro – 2013 General Rate Application  
Requests for Information to Parties**

Enclosed please find an original plus 12 copies of Requests for Information by Hydro to the Public Utilities Board; Vale Newfoundland and Labrador Limited; Newfoundland Power; Industrial Customers; Consumer Advocate; and Nunatsiavut Government with regard to the above-noted application.

Yours truly,

**NEWFOUNDLAND AND LABRADOR HYDRO**

  
\_\_\_\_\_  
Geoffrey P. Young  
Senior Legal Counsel

GPY/cp

cc: Gerard Hayes – Newfoundland Power  
Paul Coxworthy – Stewart McKelvey Stirling Scales  
Thomas J. O'Reilly, Q.C. – Cox & Palmer  
Dennis Browne, Q.C. – Browne Fitzgerald Morgan & Avis

Thomas Johnson – Consumer Advocate  
Yvonne Jones, MP Labrador  
Senwung Luk – Olthuis, Kleer, Townshend LLP  
Genevieve M. Dawson – Benson Buffett

**IN THE MATTER OF** the Public  
Utilities Act, R.S.N. 1990, Chapter P-47  
(the Act), and

**IN THE MATTER OF** a General Rate Application  
(the Application) by Newfoundland and Labrador Hydro  
for approvals of, under Section 70 of the Act, changes  
in the rates to be charged for the supply of power and  
energy to Newfoundland Power, Rural Customers and  
Industrial Customers; and under Section 71 of the Act,  
changes in the Rules and Regulations applicable to the  
supply of electricity to Rural Customers.

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**Requests for Information**

**From Newfoundland and Labrador Hydro**

**(2013 NLH GRA)**

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Newfoundland and Labrador Hydro, Applicant

June 15, 2015

## **Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

### **Request for Information from Hydro To Public Utilities Board**

#### **Dr. John Wilson**

- NLH-PUB-006 The current Rural Deficit Allocation was recommended by the Board's Consultant in 1992. The existing methodology in place since 1993 will result in the Rural Deficit per customer being approximately three times higher for customers on the Labrador Interconnected System than for customers of Newfoundland Power. Does Dr. Wilson believe the existing methodology provides a fair allocation of the Rural Deficit between customers of Newfoundland Power and the Hydro Rural Customers on the Labrador Interconnected System? Please explain the reasons for your answer.
- NLH-PUB-007 Please discuss advantages and disadvantages of the existing Rural Deficit allocation methodology as compared to the allocation of the Rural Deficit based on i) annual revenue requirement (before Rural Deficit allocation) and ii) the number of customers in each system (i.e., as illustrated in Table 4.3 on page 4.10 of the Evidence to the Amended Application).
- NLH-PUB-008 Is Dr. Wilson aware of any other method of Rural Deficit allocation that may be reasonable? If yes, please describe.
- NLH-PUB-009 Newfoundland Power's approach to allocation of the Rural Deficit among its classes of service is comparable to the revenue requirement approach proposed by Hydro. The 2011 Cost of Service Study for Newfoundland Power states that the "Rural Surcharge is allocated to Class based upon total cost before Rural Deficit, RSA & MTA." Does Dr. Wilson believe the approach used in allocation of the Rural Deficit in Newfoundland Power's cost of service study is reasonable? Please explain your response.

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Public Utilities Board (cont’d)**

NLH-PUB-010 On page 84 of the COS Methodology Report, the Board provided guidance on assessing fairness of the allocation of the Rural Deficit when it stated:  
“Fairness cannot be assessed as due to the method used but instead we must assess fairness on the basis of the result, a shared burden among the classes of customers that is fair to all and not discriminatory.”

Does Dr. Wilson believe the current Rural Deficit allocation methodology creates fairness concerns as it results in, on average, approximately \$650 per customer per year being recovered from Hydro Rural Customers on the Labrador Interconnected System and approximately \$215 per customer per year being recovered from the customers of Newfoundland Power? Please explain your response.

NLH-PUB-011 Reference Dr. Wilson’s evidence relating to Transmission Plant and Costs, on pages 11-13.

In recommending, on page 11, that there is a sound rationale for classifying network transmission lines on both demand and energy, does Mr. Wilson agree that there are a number of methodologies that cost of service experts have put forth that are also believed to be based on sound rationale?

NLH-PUB-012 Reference Dr. Wilson’s evidence relating to Transmission Plant and Costs, on pages 11-13.

Would Dr. Wilson also agree that the rationale for another methodology commonly used in the industry to allocate network transmission is,

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### Request for Information from Hydro To Public Utilities Board (cont’d)

notwithstanding that transmission lines serve both demand and energy, transmission lines are sized to carry peak load and the cost of those lines is fixed in nature and as such there are financial carrying costs including cost of capital, depreciation and O&M?

NLH-PUB-013 Reference Dr. Wilson’s evidence page 12:

*A capital-intensive transmission grid reduces energy costs. The Board may therefore wish to direct Hydro to properly recognize this in the attribution of transmission network costs. Also in this way, the large industrial consumers who benefit from the lower cost energy that hydraulic and base load plants and their associated transmission grids make possible will pay a fair share of these transmission costs that reduce their energy charges. This cost-causality is not now fully recognized in Hydro’s attribution of substantial transmission costs to only peak demand.*

Please confirm that Dr. Wilson is suggesting that Industrial Customers are paying their fair share of network transmission only under his recommended methodology, but Industrial Customers are not paying their fair share of transmission under the methodology described in NLH-PUB-012 above (the current methodology). If Dr. Wilson cannot confirm, please explain in detail.

NLH-PUB-014 Reference Dr. Wilson’s evidence. On page 13, Dr. Wilson states:

*All customers who benefit from lower cost energy because of an extensive transmission grid should be allocated an energy share of the costs that make that low cost energy possible.*

Using this reasoning, why, in Dr. Wilson’s opinion, should Hydro not also classify distribution lines between demand and energy? In responding to

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Public Utilities Board (cont’d)**

the question, please address whether the magnitude of the cost of transmission versus distribution is important and why such a distinction should be relevant to the principles and concepts advanced. Please also distinguish between networked and radial lines to the extent relied on in responding and why either should make a difference under Dr. Wilson’s proposed methodology.

- NLH-PUB-015 On page 16, second full paragraph, Dr. Wilson states that “Electricity delivery systems and the facilities that comprise them (poles, wires, transformers, etc.) are designed by their manufacturers and installed by utilities to meet both non-coincident demand and energy requirements as well as to achieve customer connection to the system.” Is Dr. Wilson suggesting that manufacturers design distribution system facilities to also meet energy requirements? If yes, please provide evidence in support.
- NLH-PUB-016 Please provide a comparison of the transmission classification approach used by Hydro to the classification approach used in other Canadian jurisdictions.
- NLH-PUB-017 Reference Dr. Wilson’s Evidence. With regard to the classification of wind energy, page 11 states, “In contrast to the 100 percent demand allocation here,...”, should the wording state “energy” rather than “demand”?

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Vale Newfoundland and Labrador Limited**

**Mel Dean**

NLH-V-003 Page 15 states: "I recommend that the Board maintain the current classification of wind generation until a full study is completed." Please confirm that the Board has not yet approved a classification approach for wind generation as there have been no costs associated with wind generation in previous test year cost of service studies approved by the Board.

NLH-V-004 Could you please clarify the portion(s) of the \$6.3 million increase in professional services between 2013 and 2014 Test Year that Vale recommends the Board examines further. As noted in V-NLH-095, the following were the variances provided by Hydro:

“An increase of \$2.3 million of GRA and Board related costs associated with an increased volume of application and regulatory activity; and an increase in consulting costs of \$4.0 million: \$2.0 million mainly due to the outage inquiry, \$1.1 million due to condition assessments and engineering related activities, \$0.6 million due to environmental work and safety and health related programs and \$0.3 million due to environmental remediation at Sunnyside Terminal Station.”

NLH-V-005 Could you please provide the aggregate listing of the operating expenditures that Vale requests the Board to examine further. Please note in your response that the \$2.9 million referenced in V-NLH-088 includes both consulting costs (highlighted in lines 21 to 23 and in lines 17 to 21 of the

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Vale Newfoundland and Labrador Limited (cont’d)**

Report of Mel Dean) and Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application inter-company Executive salary (highlighted in lines 22 to 25 and in lines 17 to 21 of the Report of Mel Dean).



**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Newfoundland Power Inc.**

**Larry Brockman**

- NLH-NP-008 Please provide the evidence filed by Mr. Brockman in the 1992 COS Hearing with respect to the Rural Deficit allocation methodology.
- NLH-NP-009 Please provide Newfoundland Power’s final submission in the 1992 COS Hearing with respect to the Rural Deficit allocation methodology.
- NLH-NP-010 Please provide all responses to requests for information filed by Newfoundland Power during the 1992 COS Hearing with respect to the Rural Deficit allocation methodology.
- NLH-NP-011 Did Mr. Brockman believe the Rural Deficit methodology proposed in 1992 by Mr. Baker, the Board’s Consultant, was fair when Mr. Brockman presented evidence to the Board in 1992? If not, why not?
- NLH-NP-012 Does Mr. Brockman believe the Rural Deficit methodology proposed by Mr. Baker in 1992 is fair for the 2015 Test Year? If yes, please explain why and reconcile Mr. Brockman's current belief with what he believed in 1992 when he provided testimony recommending an alternate approach to the Board.
- NLH-NP-013 Please provide a detailed explanation of the cost of service methodology used by Newfoundland Power to allocate the Rural Deficit among its classes of service.
- NLH-NP-014 Does Mr. Brockman agree with the methodology used by Newfoundland Power in allocating the Rural Deficit in its cost of service study? If not, please explain the areas of disagreement.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Newfoundland Power Inc. (cont’d)**

- NLH-NP-015 Please provide Mr. Brockman's evidence filed with the Board on behalf of Newfoundland Power at the hearing in which the Board initially approved the cost of service methodology for Newfoundland Power including the Rural Deficit allocation among its customer classes.
- NLH-NP-016 Page 13 states "A difficulty with allocating the Rural Deficit is that the Rural Deficit is not causally related to the customers responsible for funding it. For that reason, it is difficult to assess the ‘fairness’ of any allocation methodology for the Rural Deficit from a traditional cost-of-service perspective." Does Mr. Brockman believe fairness should be ignored in evaluation of the allocation of the Rural Deficit?
- NLH-NP-017 Page 15 states "Hydro's proposal to change the allocation methodology at this time seems to be solely motivated by the rate impacts on the Labrador Interconnected Customers of the changes in the cost of service reflected in the Amended Application". Provide all evidence which supports this assertion.
- NLH-NP-018 Page 15 states "Hydro's proposal to change the allocation methodology at this time seems to be solely motivated by the rate impacts on the Labrador Interconnected Customers of the changes in the cost of service reflected in the Amended Application". Expert evidence provided by Mr. Doug Bowman, Dr. James Feehan and Mr. Philip Raphals also recommends a change in approach to the allocation of the Rural Deficit. Please confirm that Mr. Brockman has no basis for coming to the view that these experts are “solely motivated by the rate impacts on the Labrador Interconnected customers”. If unable to confirm, please explain fully why not.

## Newfoundland and Labrador Hydro ("Hydro") 2013 General Rate Application

### **Request for Information from Hydro To Newfoundland Power Inc. (cont'd)**

- NLH-NP-019 Please restate Figure 2 on page 9 providing the deficit allocated to NP as a percent of total revenue requirement.
- NLH-NP-020 Please restate Figure 4 on page 11 providing the average Rural Deficit per customer for each of the test years.
- NLH-NP-021 Page 12 states "The Unit Cost Method is consistent with the allocation of costs within a system which are typically shared equally depending on the customer use of peak demand (i.e. \$/kW), the customer use of energy (i.e. \$/kWh) and equal allocation of customer-related costs to customers (i.e. \$/customer)." Please explain the \$/customer approach employed in the Rural Deficit allocation methodology and Mr. Brockman's view of the appropriateness of the number of customers for each system used in the calculation.
- NLH-NP-022 Page 12 states "The Unit Cost Method is consistent with the allocation of costs within a system which are typically shared equally depending on the customer use of peak demand (i.e. \$/kW), the customer use of energy (i.e. \$/kWh) and equal allocation of customer-related costs to customers (i.e. \$/customer)." If Mr. Brockman was requested to determine a fair method of allocation of the Rural Deficit, would this method be his recommendation? Please provide reasons for the response.
- NLH-NP-023 Page 16 states "Once the Labrador Interconnection is complete, the Labrador Interconnected System will be no longer be electrically separate from the Island. When that occurs, all of Hydro's interconnected customers will be part of a single system. Under that scenario, it is conceivable that all

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Newfoundland Power Inc. (cont’d)**

interconnected customers would pay uniform rates." Under an interconnected system in which all customers in a class pay the same rates, what Rural Deficit allocation methodology would Mr. Brockman recommend for use in a cost of service methodology? Why would Mr. Brockman choose this methodology?

NLH-NP-024 Reference Mr. Brockman’s evidence, page 5, lines 7-9 and related footnote 7. Please indicate where on pages 59 and 62 of the Board’s 1993 COS report the Board indicates that “the customer impact of cost of service allocations is more properly addressed as a rate design issue”, when not in the context of the subsequent matter of rate shock implications.

NLH-NP-025 Reference Brockman evidence, page 13, lines 8-20. In likening a company’s allocation of administrative and general expenses (A&G) to the allocation of the Rural Deficit, to what extent does Mr. Brockman agree that there are salient differences between the two, insofar as A&G expenses, although not directly assignable to specific functions, are costs that are internal to a system where there is an underlying relationship to cost of service, whereas the Rural Deficit is external to the system that it is being assigned to, and that this is the fundamental issue.

NLH-NP-026 Reference Brockman evidence, page 15, lines 12-17, where, in the 1992 COS hearing, he cites the Board’s consideration of the impact of the Rural Deficit on NP as follows:

*“The Board is also concerned with the fairness to the individual customers of NP who will have this cost passed through to them once the amount is assigned to NP. We do not share the opinion that the allocation of the deficit has little effect on the individual*

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Newfoundland Power Inc. (cont’d)**

*customers of NP. The customers of NP on relative terms are very sensitive to changes in rates.”*

Please confirm that in the very next sentence the Board states:

*“This of course is equally true of Labrador Interconnected Customers and Industrial Customers.”*

NP-NLH-027 On page 84 of the COS Methodology Report, the Board provided guidance on assessing fairness of the allocation of the Rural Deficit when it stated:  
“Fairness cannot be assessed as due to the method used but instead we must assess fairness on the basis of the result, a shared burden among the classes of customers that is fair to all and not discriminatory.”

Does Mr. Brockman believe a Rural Deficit allocation methodology creates fairness concerns when it results in, on average, approximately \$650 per customer per year being recovered from Hydro Rural Customers on the Labrador Interconnected System and approximately \$215 per customer per year being recovered from the customers of Newfoundland Power? Please explain your response.

NP-NLH-028 In Order No. P.U.7(1996-97), the Board stated with respect to the Rural Deficit (page 89): "The Board confirms its previous opinion in the February 1993 (notwithstanding recommendations made in its October 10, 1995 Report which was not accepted by Government) that the Rural Subsidy is a form of cross-subsidization, and must be dealt with as all other expenses."

Is this statement from the Board Order consistent with treating the Rural Deficit in a manner such that the evaluation of fairness is appropriately based upon revenue to costs ratios? Please explain your response.

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Newfoundland Power Inc. (cont’d)**

NLH-NP-029 Mr. Brockman stated on page 11 of his evidence: “Hydro’s cost to serve Newfoundland Power together with the Rural Deficit allocation is proposed to increase by approximately 145%, from approximately \$215 million in the 2002 Test Year to approximately \$526 million in Hydro’s proposed 2015 Test Year. By comparison, Hydro’s cost to serve Labrador Interconnected customers together with the Rural Deficit allocation is proposed to increase by approximately 37%, from approximately \$15 million in the 2002 Test Year to approximately \$20.5 million in Hydro’s proposed 2015 Test Year.”

Please provide a comparison of the 2002 Test Year fuel price per barrel of Holyrood fuel and the 2015 Test Year fuel price per barrel reflected in the Amended Application.

NLH-NP-030 Mr. Brockman stated on page 11 of his evidence: “Hydro’s cost to serve Newfoundland Power together with the Rural Deficit allocation is proposed to increase by approximately 145%, from approximately \$215 million in the 2002 Test Year to approximately \$526 million in Hydro’s proposed 2015 Test Year. By comparison, Hydro’s cost to serve Labrador Interconnected customers together with the Rural Deficit allocation is proposed to increase by approximately 37%, from approximately \$15 million in the 2002 Test Year to approximately \$20.5 million in Hydro’s proposed 2015 Test Year.”

Please restate the above comparison if the 2015 Test Year fuel price per barrel of Holyrood fuel and the same number of barrels of output for both 2002 and 2015 Test Years were used in the calculation.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Newfoundland Power Inc. (cont’d)**

NLH-NP-031 Mr. Brockman stated on page 11 of his evidence: “Hydro’s cost to serve Newfoundland Power together with the Rural Deficit allocation is proposed to increase by approximately 145%, from approximately \$215 million in the 2002 Test Year to approximately \$526 million in Hydro’s proposed 2015 Test Year. By comparison, Hydro’s cost to serve Labrador Interconnected customers together with the Rural Deficit allocation is proposed to increase by approximately 37%, from approximately \$15 million in the 2002 Test Year to approximately \$20.5 million in Hydro’s proposed 2015 Test Year.”

Please explain the relevance of the comparison given that Holyrood fuel is not used in serving Labrador Interconnected Customers when considering the fairness of the allocation methodology for the Rural Deficit between the two customer groups.

NLH-NP-032 On page 19, Mr. Brockman states: “Given the current uncertainty in marginal costs, a more moderate increase in the Newfoundland Power demand charge may be appropriate.” What demand rate does Mr. Brockman recommend to apply to Newfoundland Power? Please provide justification for the recommendation from both an embedded and a marginal cost perspective.

NP-NLH-033 Please submit the NP curtailable service option report for the 2014-2015 winter season.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### Request for Information from Hydro To Industrial Customers

NLH-IC-010 Page 35, lines 14 to 17 states: "Unfortunately, Hydro sought the wrong solution – rather than seeking to prevent NP’s practice of dispatching the system inappropriately, Hydro sought to compensate NP as if they were dispatching the system inappropriately so that they in fact did not have to actually carry through with the inappropriate interruptions."

Does the curtailment credit approach proposed by Hydro and implemented on an interim basis by the Board for the 2014-15 winter season remove the incentive for NP to use its curtailable load to reduce its billing demand except at times when the system is constrained? If yes, why is Hydro's proposed solution "the wrong solution"?

NLH-IC-011 Further to page 36, lines 21-29, please state whether you agree or disagree with the following statements and explain your position.

The Industrial Customer contracts all currently include a provision for interruptible demand. Provided the Amount of Power on Order is equal to or greater than 20,000 kW, the amount of Interruptible Demand and Energy available shall be the greater of 10% of the Amount of Power on Order and 5,000 kW. If the Amount of Power on Order is less than 20,000 kW, the Amount of Interruptible Demand and Energy available shall be 25% of the Amount of Power on Order. The test year cost of service study does not include interruptible demand in determining the peak demand for the Industrial Customer Class in cost allocation.

Newfoundland Power currently makes a Curtailable Service Option available to its customers. Newfoundland Power curtailable load represents less than 1% of their forecast maximum native load. The



**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Industrial Customers (cont’d)**

forecast maximum native load reflected in Hydro’s test year cost of service study assumes Newfoundland Power is curtailing load during peak. Therefore, from a test year cost of service allocation perspective both the Industrial Customers interruptible demand and the Newfoundland Power curtailable load are treated on a comparable basis for demand allocation purposes.

NLH-IC-012      Please explain why Table 5-2 on page 32 uses weather-adjusted demand and actual energy sales rather than weather adjusted demand and weather-adjusted energy sales.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### Request for Information from Hydro To Consumer Advocate

#### C. Douglas Bowman

NLH-CA-004 Page 24 states "...I recommend that the Board order Hydro to use a test year in the cost of service study that is representative of the load forecast during the period rates are expected to be in effect with costs and customer class cost allocations adjusted accordingly." Is Mr. Bowman recommending Hydro modify its 2015 Test Year strictly to reflect revised load, hydraulic generation, purchases and fuel costs or is Mr. Bowman recommending Hydro update all its costs to reflect 2016 forecast? Please clarify this recommendation.

NLH-CA-005 Page 24 states "Now that Hydro has a mandated ROE commensurate with that of Newfoundland Power, I recommend that the Board consider directing a portion of Hydro's return toward payment of the rural subsidy, a subsidy mandated by government, Hydro's shareholder." Section 80. (2) of the Public Utilities Act states

*"The return shall be in addition to those expenses that the board may allow as reasonable and prudent and properly chargeable to operating account, and to all just allowances made by the board according to this Act and the rules and regulations of the board."*

Please reconcile Mr. Bowman's recommendation to Section 80(2) of the Public Utilities Act which states that the return shall be in addition to expenses approved as reasonable by the Board and please provide the Board's authority to follow the above recommendation.

NLH-CA-006 Mr. Brockman stated on page 5 of his evidence: "In light of the impending major changes, I believe it is preferable not to do things on a piecemeal basis.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### Request for Information from Hydro To Consumer Advocate (cont’d)

We don’t want to address a problem today with a solution that may not make sense when circumstances change, as I believe they are about to.”

Please provide Mr. Bowman’s view regarding this statement with respect to the future allocation of the Rural Deficit in the cost of service study:

NLH-CA-007

Mr. Brockman stated on page 5 of his evidence: “Finally, I believe it is important to keep rate design separate from cost of service. A cost of service allocation should not be chosen based on the amount of the resulting cost assignments to a class. As the Board pointed out in its 1993 report arising out of the 1992 COS Hearing (the “1993 COS Report”), the customer impact of cost of service allocations is more properly addressed as a rate design issue.”.

Does Mr. Bowman believe the selection of a cost of service methodology for the Rural Deficit allocation is a cost of service issue or a rate design issue?

NLH-CA-008

Mr. Brockman stated on page 11 of his evidence: “Hydro’s cost to serve Newfoundland Power together with the Rural Deficit allocation is proposed to increase by approximately 145%, from approximately \$215 million in the 2002 Test Year to approximately \$526 million in Hydro’s proposed 2015 Test Year. By comparison, Hydro’s cost to serve Labrador Interconnected customers together with the Rural Deficit allocation is proposed to increase by approximately 37%, from approximately \$15 million in the 2002 Test Year to approximately \$20.5 million in Hydro’s proposed 2015 Test Year.”

Given most of the increased cost of serving Newfoundland Power between the 2002 Test Year and the 2015 test Year is a result of the increased fuel

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Consumer Advocate (cont’d)**

cost of generation at the Holyrood Thermal Generating Station, does Mr. Bowman consider the comparison relevant in the evaluation of the fairness of the cost of service methodology for allocation of the Rural Deficit? Please provide the reasons for your response.

NLH-CA-009 Mr. Brockman stated on page 12 of his evidence: “The Unit Cost Method is consistent with the allocation of costs within a system which are typically shared equally depending on the customer use of peak demand (i.e. \$/kW), the customer use of energy (i.e. \$/kWh) and equal allocation of customer related costs to customers (i.e. \$/customer).”

Does Mr. Bowman have any concerns with Mr. Brockman’s characterization of the Unit Cost Method? If so, please explain your concerns.

NLH-CA-010 Please provide Mr. Bowman’s assessment from a fairness perspective on the position of Mr. Brockman with respect to the Rural Deficit allocation.

## Newfoundland and Labrador Hydro ("Hydro") 2013 General Rate Application

### Request for Information from Hydro To Nunatsiavut Government

#### Chris Henderson

- NLH-NG-001 Page 3, lines 59-60 states: "Specifically: a) total energy costs are high, much higher than for residents elsewhere in the province..". Does Mr. Henderson's statement take into consideration the Northern Strategic Plan subsidy provided for electricity usage to Domestic Customers on the Labrador Isolated Systems? If yes, please provide support for the quoted statement.
- NLH-NG-002 Page 3, lines 59-60 states: "Specifically: a) total energy costs are high, much higher than for residents elsewhere in the province..". Response to NP-NLH-101 provides a comparison of electricity costs for customers on Labrador Isolated Systems to the rates of Newfoundland Power's customers. Based upon the information provided in response to NP-NLH-101, please confirm that average electricity costs for Domestic Customers in Labrador Isolated Systems (including the savings from the Northern Strategic Plan subsidy) are lower for customers on Labrador Isolated Systems than for customers of Newfoundland Power with average monthly usage of 1,500 kWh or less. If this cannot be confirmed, please provide support for the quoted statement.
- NLH-NG-003 In the Board's Report to the Minister on a Referral Concerning Rural Electrical Service dated July 29, 1996, it states:" The Board believes it may be inefficient and costly to create price incentives which would lead to the installation of additional electric heating in rural isolated areas. Some electric heating is currently used, primarily for supplemental heating purposes. One of the options considered by the Board was the adoption of interconnected rates, combined with a prohibition upon installation of electrical heat. The Board does not consider this to be a practical alternative." Does Mr.

## Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application

### **Request for Information from Hydro To Nunatsiavut Government (cont’d)**

Henderson disagree with the Board's belief on this matter? If so, please provide your views on this issue.

NLH-NG-004 Page 7 states: It would be more effective to consider a PUB decision/directive that caps electricity costs, coupled with a more intensive strategy for energy efficiency and renewable energy for the Nunatsiavut Region." Given the rates policy for customers on the Labrador Isolated system are a result of Government directives, does Mr. Henderson agree that that a revised Government direction is required to permit the PUB to implement a decision that caps electricity costs. If not, why not?

NLH-NG-005 Page 3, Box 1, bullet #4 states “Monthly demand thresholds and private home ownership requirements for the takeCHARGE energy efficiency program preclude participation of many Nunatsiavut residents. 62% of residents in the region are renters (takeCHARGE requires private ownership of homes).” Page 7, lines 162 to 164 states “Energy efficiency efforts to date have been modest and have consisted of general information and electricity consumption practices and the promotion of minor equipment...” and Page 7, line 173 states “The lack of sufficient effort and investment into energy efficiency...”

Hydro’s response to NG-NLH-003 references previously filed responses that inform of the energy efficiency programs and expenditures that are offered to customers in isolated diesel communities, including communities in Nunatsiavut. Since 2012, Hydro has invested \$508,000 in Nunatsiavut communities through the Isolated Systems Community Energy Efficiency Program with 850 out of approximately 1,075 customers in the Nunatsiavut

**Newfoundland and Labrador Hydro (“Hydro”) 2013 General Rate Application**

**Request for Information from Hydro  
To Nunatsiavut Government (cont’d)**

communities participating by having approximately 7,900 energy efficiency products installed, at no cost, saving an estimated 750,000 kWh of energy. Do Mr. Henderson’s statements take into consideration the Isolated Systems Community Energy Efficiency Program that is available free of charge to customers living in isolated diesel communities?