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May 8, 2014

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Via Electronic Mail and Courier

Newfoundland and Labrador Board
of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. G. Cheryl Blundon, Director of Corporate Services and Board Secretary

Dear Ms. Blundon:

Re: General Rate Application of Newfoundland and Labrador Hydro

Please find enclosed the original and twelve (12) copies of the Requests for Information of the Island Industrial Customers Group in the above Application.

We trust you will find the enclosed to be in order.

Yours truly,

Stewart McKelvey

Paul L. Coxworthy

PLC/sam

Enclosures
c. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
Thomas J. Johnson, Consumer Advocate
Gerard Hayes, Newfoundland Power
Dean A. Porter, Poole Althouse
Thomas O'Reilly, Q.C., Vale Newfoundland and Labrador Limited
Edward M. Hearn QC, Miller & Hearn
Stephanie Kearns / Senwung Luk, Olthuis, Kleer, Townshend LLP
Yvonne Jones, MP, Labrador

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

REQUESTS FOR INFORMATION RELATING TO INTERVENORS' EXPERT EVIDENCE
ISLAND INDUSTRIAL CUSTOMERS GROUP

IC-PUB-1 to IC-PUB-18

IC-PUB-1 Re: Grant Thornton Financial Consultants Report, page 15, lines 32-37; page 16, lines 1-15. Grant Thornton indicates that the Debt Guarantee Fee Analysis prepared by Scotiabank fails to consider relevant factors.

Please confirm that Grant Thornton has not developed a view regarding whether consideration of these extra factors would serve to increase or decrease the benefit, as compared to the present Analysis prepared by Scotiabank.

IC-PUB-2 Re: Grant Thornton Financial Consultants Report, page 16. Grant Thornton indicates that Scotiabank has calculated the benefits of a Debt Guarantee as being 35.6 bps to 47.8 bps on long-term debt. The fee charged to Hydro for this guarantee, for outstanding debt scheduled to mature after 10 years, is 50 bps, which exceeds the measured benefit. Grant Thornton indicates that, in contrast, the fee charged to guarantee Hydro short-term debt provides a benefit to Hydro, based on a "cost savings split" of between 79/21 to 76/24 for government/ratepayers.

Assuming Scotiabank's calculation of the benefit at 35.6 bps to 47.8 bps on long-term debt is accurate, please provide a calculation of the Debt Guarantee Fee that would apply if the benefit of the guarantee in respect of long-term debt was similarly shared within the range of 79/21 to 76/24 government/ratepayers. Please also provide a dollar value impact on the amounts payable to government as a result of adopting this approach. How much would Hydro's revenue requirements be affected?

IC-PUB-3 Re: Wilson Pre-Filed Testimony. At various places (such as page 3, end of first paragraph), the testimony indicates "As discussed in the Report, we disagree with these arguments." [underlining added]

Please indicate if any authors or contributors, other than Dr. John W. Wilson, are responsible for the Wilson report and will be testifying to its conclusions. Please provide curriculum vitae for all other authors and contributors.

IC-PUB-4 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates Hydro's "proposed marginal rate for industrial energy consumption is 4.782 cents/kW.h".

Please confirm that an industrial customer operating at an 85% load factor which increases its load by 1 kW will consume 7446 kW.h in a year, plus increase its Power on Order by 1 kW. Please confirm that this would equal a marginal cost of $456.63 for the year, or 6.253 cents/kW.h.

IC-PUB-5 Re: Wilson Pre-Filed Testimony, page 17.

Please confirm that in addition to the "marginal rate" for energy and demand, industrial customers will face all future calculated RSP adjustments, which serves to increase the practical price signal on energy consumed above the levels otherwise indicated in the rate schedules.

IC-PUB-6 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates industrial customers receive an "economic deterrent to reducing energy consumption" by way of the energy price signal.

Please confirm that one of the key ways that industrial customers reduce energy consumption is by investing in capital improvements or process improvements

which are designed to be in service for many years or decades. If yes, please confirm that imposing a marginal cost signal based on Holyrood for a short period (approximately 3 years) followed by a time with much lower marginal costs (Labrador infeed) could incent investment in capital or process improvements today that would be significantly inefficient (overinvested) as of the Labrador infeed.

IC-PUB-7 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates industrial customers receive a "very strong economic incentive" to consume additional energy and an "economic deterrent to reducing energy consumption" by way of the energy price signal.

Please indicate if Dr. Wilson reviewed the evidence of Hydro that Island Industrial load has declined from 1,388 GW.h in 2001, to 894 GW.h in the 2007 Test Year, to a forecast 408 GW.h in the 2013 Test Year (including the closure of 2 industrial operations): Table 2.14, Section 2, page 2.35 of Hydro's Evidence. Please indicate if this supports Dr. Wilson's view that current price signals provide excessive price signals to consume extra energy. Please indicate the degree of industrial load that would exist on the island under Dr. Wilson's hypothetical efficient rate design.

IC-PUB-8 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates that industrial customers consume "additional amounts of energy that provide benefits that are far below the resource costs of producing the additional energy".

Please provide a full description of the benefits captured in Dr. Wilson's analysis, including process use of energy in each industrial operation, economic benefits and employment arising from the use of energy, taxes and payments to government, donations to charities, and regional economic development. Please provide all studies and analyses conducted by Dr. Wilson or relied upon by him in regard to industrial benefits to Newfoundland and Labrador.

IC-PUB-9 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates that industrials receive an "economic deterrent to reducing energy consumption" by way of the energy price signal.

Please confirm that under Dr. Wilson's approach, an industrial customer would be able to implement CDM (e.g., energy conservation initiatives) and see energy cost benefits of 17.6 cents/kW.h for each kW.h saved, without limit, and that these cost benefits would be enduring for the life of the efficiency initiative (and not be recalculated as a net lower rate to other customers as soon as the next GRA arrives). Absent this provision/protection, how are customers receiving a full pricing signal for the life cycle of their CDM investments?

IC-PUB-10 Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates that industrial customers receive an "economic deterrent to reducing energy consumption" by way of the energy price signal.

Under Dr. Wilson's approach, would it be possible, for example, to have Corner Brook Pulp and Paper reduce their mill load dramatically and instead sell substantially all of the output of the Deer Lake generating station into the Island Industrial system at the marginal price of Holyrood? If not, why not, and how is this inconsistent with the price signals advocated in the Wilson Pre-Filed Testimony.

IC-PUB-11 Re: Wilson Pre-Filed Testimony, page 18. Dr. Wilson indicates that "From an economic efficiency perspective it cannot be concluded that the addition of the Labrador interconnection will mean that a marginal cost price signal is unneeded. Indeed, as discussed below, the incremental fuel price may very well continue to be a good proxy for marginal energy cost, even when the Labrador interconnection comes on line." [underlining added]

Please provide further details on the above statement (or alternatively indicate where "below" in the Pre-Filed Testimony this is addressed). In particular, please address how Holyrood fuel costs might be an appropriate long-term marginal cost for the Island when Holyrood is scheduled to be decommissioned. If Dr. Wilson has any analysis to quantitatively support this conclusion, please provide same.

IC-PUB-12 Re: Wilson Pre-Filed Testimony, page 20. Dr. Wilson indicates Hydro's CDM programs have resulted in minimal industrial participation and savings to date.

Please indicate if Dr. Wilson has reviewed Hydro's CDM Report 2013 filed as part of the Annual Return circulated April 25, 2014, Table 7, page 11, which indicates that life to date energy savings from CDM total 7,287 MW.h, of which 2,769 MW.h is isolated and 4,518 MW.h is interconnected, and further that of the 4,518 MW.h of interconnected load savings, a full 3,337 MW.h is industrial CDM. Please indicate if the information in the CDM Report changes Dr. Wilson's conclusions regarding industrial participation in CDM.

IC-PUB-13 Re: Wilson Pre-Filed Testimony, pages 21-22. Dr. Wilson provides a calculation of the impact of the load variation provision on each of Newfoundland Power (NP) and Industrial Customers (IC) due to 1 kW.h changes in load for each of NP and IC.

Please provide the same calculation, indicating the dollar value impact on each class (NP and IC) of a 1% increase in the loads of each of the respective classes.

IC-PUB-14 Re: Wilson Pre-Filed Testimony, page 22. Dr. Wilson provides a proposed industrial rate design reflecting marginal costs.

Please indicate if Dr. Wilson has reviewed Hydro Exhibit 12, the 2008 industrial rate design report indicating the common ground and remaining points of dispute between Hydro and the IC (at that time) regarding a rate design with increased marginal cost signals. If so, is there a reason Dr. Wilson did not build off of the rate design approach in this report, but instead appear to begin to design a new concept?

IC-PUB-15 Re: Wilson Pre-Filed Testimony, page 23. Dr. Wilson provides a proposed NP rate design reflecting a revised approach to setting the NP first and second block sizes.

Please provide a calculation since 2007 of how the proposed NP rate design would work, as compared to actual practice over that time, and indicate for each year whether the NP amounts paid would be greater than or less than the actual amounts paid. If the amounts paid would have differed under the proposed NP rate design, please indicate the rationale as to why this outcome is reasonable.

IC-PUB-16 Re: Wilson Pre-Filed Testimony, page 27. Dr. Wilson indicates that the curtailable load would result in "reduction in oil costs for Holyrood generation".

To the best of the information available to Dr. Wilson, please provide a calculation (or estimate if a calculation is not possible based on the information available to Dr. Wilson) of the fuel cost benefit arising from NP's Curtailable Service Option and compare this amount to the amounts paid by NP to its customers for their participation in the program. Does Dr. Wilson agree that, given these interruptions are infrequent and of a short-term nature, it could be expected that the energy savings are minimal at best?

IC-PUB-17 Re: Wilson Pre-Filed Testimony, page 34. Dr. Wilson indicates Hydro's CDM costs should be allocated $205,000 per year to industrials, rather than the $28,000 per year proposed by Hydro.

Please indicate if Dr. Wilson has reviewed Hydro's CDM Report 2013, filed as part of the Annual Return circulated April 25, 2014, Table 8 page 12, which indicates that life to date fuel cost savings from CDM total $1.043 million per year, of which $562 million is for isolated systems and only $480,000 per year is for the interconnected system. As industrials make up 5.7% of energy consumed on the interconnected system, this would equate to $27,000 in fuel cost benefits to industrial customers. How does Dr. Wilson reconcile a cost to industrials of $205,000 per year to pay for programming that yields only $27,000 in fuel cost benefits?

IC-PUB-18 Re: Wilson Pre-Filed Testimony, page 12. Dr. Wilson recommended in his 2001 evidence to the Newfoundland and Labrador PUB that some degree of transmission costs should be allocated to energy, rather than 100% to demand. In that proceeding, Hydro (at NLH-38) asked Dr. Wilson to provide the names of any U.S. and Canadian utilities that allocate transmission costs based on energy. Dr. Wilson responded: "Dr. Wilson has not undertaken the requested survey".

Please indicate if Dr. Wilson has now completed the noted survey and can provide names of any jurisdictions that classify a "significant portion of all transmission plant costs to energy" along with all relevant supporting details.

DATED at St. John's, in the Province of Newfoundland and Labrador, this 8th day of May, 2014.

POOLE ALTHOUSE

Per: _____
Dean A. Porter

STEWART MCKELVEY

Per: _____
Paul L. Coxworthy

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Attention: Yvonne Jones, Member of Parliament, Labrador