

HAND DELIVERED

September 20, 2013

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

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

Ladies and Gentlemen:

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

Please find enclosed the original and 12 copies of Newfoundland Power's Requests for Information NP-NLH-40 to NP-NLH-137 in relation to the above-noted Application.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours very truly,



Gerard M. Hayes
Senior Counsel

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

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Vale Newfoundland and Labrador Limited

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 by
Newfoundland Power Inc.**

NP-NLH-40 to NP-NLH-137

September 20, 2013

Requests for Information

Reference: Rates Schedules

- NP-NLH-40 In Hydro’s RSP Rate Schedule, Hydro has proposed to address Energy Supply Variation. Is Hydro also proposing changes in Section 2 of the RSP Rate Schedule to address customer allocation of transfers resulting from the Energy Supply Variation? If yes, please provide the proposed revisions. (Rate Schedules, page RSP-3, Section 1.3 and page RSP-4, Section 2)
- NP-NLH-41 Please provide a detailed example calculation of the “Island Interconnected Recoverable Amount” (using the 12 month period of April 2011 to March 2012) that shows the Island Interconnected Customer Group allocations as well as the percentages for Utility Firm energy, Firmed-Up Secondary Invoiced Energy, Industrial Firm Invoiced Energy, and Rural Island Interconnected Bulk Transmission energy. Please include all data used throughout the calculation. (Rates Schedules, page 21 of 47)
- NP-NLH-42 Please provide a detailed explanation of how the Plan Balance associated with Other Systems will be treated through the Conservation and Demand Management Recovery? (Rates Schedules, page 21 of 47)

Reference: Introduction Evidence

- NP-NLH-43 Complete the following table providing Wind Farm Production Data for **each year** from 2008 through 2022 forecast. (Introduction Evidence, page 1.1, lines 15 to 16)

Wind Farm Production Data				
Year	Island Coincident Peak (MW)		Annual Delivered Energy (GWh)	
	St. Lawrence	Fermeuse	St. Lawrence	Fermeuse
2008				
2009				
2010				
...				
2013F				
2014F				
...				
2022F				

- NP-NLH-44 Please provide the impact on the 2013 Test Year revenue requirement of an adjustment to reflect the current forecast 2014 Hydraulic Production forecast. In the response, provide supporting computations. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-45 Please provide the impact on the 2013 Test Year revenue requirement of an adjustment to reflect the current forecast 2014 No. 6 fuel price. In the response, provide supporting computations. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-46 Please provide the impact on the 2013 Test Year revenue requirement of an adjustment to reflect the current forecast 2014 Holyrood No. 6 fuel consumption (bbl). In the response, provide supporting computations. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-47 Please provide the impact on the 2013 Test Year revenue requirement of adjustments to reflect: (i) 2014 Hydraulic Production forecast, (ii) 2014 No .6 fuel price forecast and (iii) 2014 Holyrood No. 6 fuel consumption (bbl) forecast. In the response, provide supporting computations. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-48 Please demonstrate the effect of a $\pm 10\%$ variation in 2013 Test Year energy purchases from Nalcor on Hydro's (i) annual production costs and (ii) return on equity under current RSP rules. In the response, please provide supporting calculations. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-49 Please provide a probabilistic frequency distribution of potential variability of 2013 Test Year purchases from Nalcor based on intervals of 25 GWh. (Introduction Evidence, page 1.2, line 8)
- NP-NLH-50 Based on the frequency distribution provided in the response to Request for Information NP-NLH-49, what percentage of data points are greater than the 2013 Test Year purchases from Nalcor and what percentage of the data points are lower than the 2013 Test Year purchases from Nalcor? (Introduction Evidence, page 1.2, line 8)
- NP-NLH-51 What is the mean, median and mode for the data points provided in the frequency distribution provided in the response to Request for Information NP-NLH-49?
- NP-NLH-52 Please provide the 2013 Test Year average embedded cost of Hydro's hydraulic production on a ¢ per kWh basis. In the response, please provide the supporting computations. (Introduction Evidence, page 1.2, line 8)

NP-NLH-53 Please provide the annual capital spending represented on Chart 1.3 of the Introduction Evidence in the table below. (Introduction Evidence, page 1.6, Chart 1.3)

Capital Expenditures											
Expenditures	2007	2008	2009	2010	2011	2012	2013T	2014F	2015F	2016F	2017F
Sustaining Capital											
Growth Capital											
Total Capital											

NP-NLH-54 Please provide in tabular format the actual and forecast capital projects with a value of \$5 million or greater for each year for the period 2007 to 2017. Please indicate which projects are considered sustaining capital and which are considered growth capital for each year. (Introduction Evidence, page 1.6, Chart 1.3)

NP-NLH-55 Please provide in tabular format, details on Hydro's cost of energy (on a per kWh basis) purchased from each of the Star Lake Hydro and Exploits River Hydro Partnerships for the period 2007 to 2013. (Introduction Evidence, page 1.7, lines 1 to 2)

NP-NLH-56 Please provide the Order in Council detailing the Government direction in 2009 that Hydro earn the same ROE as Newfoundland Power following Hydro's next GRA. (Introduction Evidence, page 1.19, lines 15 to 17)

NP-NLH-57 Other than sharing of services with Nalcor, please identify the efficiency initiatives and management's estimate of cost savings reflected in the 2013 Test Year attributable to these initiatives. (Introduction Evidence, page 1.21, lines 3 to 4)

NP-NLH-58 Please describe the degree, if any, to which Hydro's management decision-making and corporate governance are affected by Hydro's relationship with Nalcor and its affiliates. The response should generally address the relative roles and responsibilities of the senior management and board of directors of each of Hydro and Nalcor in relation to Hydro's regulated activities. The response should specifically address the impact of (i) increased intercompany activity between Hydro and Nalcor (including shared services) and (ii) employee transfers between Hydro and Nalcor on those regulated activities. (Introduction, page 1.22 et. seq. and Exhibit 1)

Reference: Regulated Activities Evidence

- NP-NLH-59 Please provide the projected power purchase cost increases on the Island Interconnected System for the period 2014 to 2017 reflecting the price escalation clauses contained in existing purchase power agreements. (Regulated Activities Evidence, page 2.1, line 20)
- NP-NLH-60 Please provide in tabular form, the total costs of the Ramea Wind-Hydrogen-Diesel Facility which are recovered by Hydro from ratepayers (either directly or via the Rural Deficit) for each year from 2007 through 2013. (Regulated Activities Evidence, page 2.5, lines 15 to 16)
- NP-NLH-61 What impact would the availability of additional production from the former Abitibi facilities have on Holyrood production during a critical dry sequence? (Regulated Activities Evidence, page 2.16, lines 10 to 12)
- NP-NLH-62 The data referenced in Footnote 13 on page 2.41 of the Regulated Activities evidence is different from the 2013 data in Table 2.17 on page 2.42 of the Regulated Activities evidence. Please explain why these numbers are different and why the data in the 2014-2022 rows are not affected by this change. (Regulated Activities Evidence, page 2.41, footnote 13, and page 2.42, Table 2.17)

Footnote 13: Excerpt of Table 5-1 (Pg. 11) NLH Gen. Plan. Issues – Nov. 2012						
Year	Peak (MW)	Firm Energy (GWh)	Installed Net Capacity (MW)	Firm Capability (GWh)	LOLH (hrs/yr)	Energy Balance (GWh)
2013	1,632	8,169	1,946	8,940	0.97	771

Excerpt of Table 2.17 (Pg. 2.42) from 2013 NLH GRA – Regulated Activities Evidence						
Year	Peak (MW)	Energy (GWh)	Net Capacity (MW)	Firm Capability (GWh)	LOLH (hrs/yr)	Energy Balance (GWh)
2013	1,570	7,990	1,946	8,940	0.33	950

- NP-NLH-63 Please provide a detailed explanation as to why the “Rural and Losses” value for the “Change in 2011” column is significantly higher than all of the other “Rural and Losses” values. (Regulated Activities Evidence, page 2.35, Table 2.14)

- NP-NLH-64 Please provide any reports prepared since 2006 that evaluated the interconnection of any of Hydro's isolated rural systems. (Regulated Activities Evidence, page 2.39, lines 5 to 8)
- NP-NLH-65 What is the basis for determining the firm energy capability for wind farm production at St. Lawrence and Fermeuse? (Regulated Activities Evidence, page 2.41, lines 15 to 16)
- NP-NLH-66 How coincident is the period of firm energy production from wind to a critical dry sequence? (Regulated Activities Evidence, page 2.41, lines 15 to 16)
- NP-NLH-67 Please file a copy of Hydro's Generation Planning Issues Report, November 2012 Update. (Regulated Activities Evidence, page 2.41, Footnote 13)
- NP-NLH-68 Loss of load hours in 2015 and beyond is above the 2.8 standard. Explain what steps Hydro is proposing to ensure adequate reliability through 2015? (Regulated Activities Evidence, page 2.42, Table 2.17)
- NP-NLH-69 A forecast conversion factor of 612 kWh/bbl is proposed for the 2013 Test Year. This forecast conversion factor results from a ten-year regression analysis of conversion factor versus Holyrood gross monthly average unit loading, with a station service factor of 6.6% applied to the gross energy production. Provide the detailed regression analysis used to derive the 2013 Test Year fuel conversion factor of 612 kWh per barrel. (Regulated Activities Evidence, page 2.46, lines 22 to 24)
- NP-NLH-70 Please provide the PIRA forecast used by Hydro for the 2013 Test Year. In addition, provide the most recent short and long range PIRA forecasts of No. 6 fuel cost per barrel. In the response, please provide all supporting calculations to convert the PIRA original forecast to the Hydro forecast including conversion to Canadian dollars. (Regulated Activities Evidence, page 2.47, lines 7 to 9)
- NP-NLH-71 Please provide a detailed explanation as to why there is a significant decrease in the MW value for the "Transmission Losses" in the "2012 Actual" column and the "2013 Forecasted" columns. (Regulated Activities Evidence, Schedule II, page 1 of 1)
- NP-NLH-72 Please extend Schedule V to include 20 years of actual history covering the period from 1993 to 2012. (Regulated Activities Evidence, Schedule V, page 1 of 1)
- NP-NLH-73 Please provide the production and spill statistics in GWh, by month and on an annual basis, for each of Hydro's hydraulic generating stations for the period 2007 to 2013. (Regulated Activities Evidence, Schedule V, page 1 of 1)

- NP-NLH-74 Please provide the curves describing Total System Energy Storage by month for each year from 2007 to 2013. (Regulated Activities Evidence, Schedule V, page 1 of 1)
- NP-NLH-75 Please provide a probabilistic distribution of variability for the 2013 hydraulic production forecast based on intervals of 100 GWh. (Regulated Activities Evidence, Schedule V, page 1 of 1)
- NP-NLH-76 Based on the frequency distribution provided in the response to Request for Information NP-NLH-75 (previous question), what percentage of data points are greater than the 2013 Test Year hydraulic production and what percentage of the data points are lower than the 2013 Test Year hydraulic production? (Regulated Activities Evidence, Schedule V, page 1 of 1)
- NP-NLH-77 What is the mean, median and mode for the data points provided in the frequency distribution provided in the response to Request for Information NP-NLH-75? (Regulated Activities Evidence, Schedule V, page 1 of 1)
- NP-NLH-78 Complete the following table providing Hydro's diesel generation on the Island Interconnected System.

Diesel Generation											
	2007T¹	2008	2009	2010	2011	2012	2013T	2014F	2015F	2016F	2017F
GWh											
Cost (\$000s)											
Cost (¢ per kWh)											

¹ 2007T represents Hydro's 2007 Test Year.

- NP-NLH-79 Complete the following table providing Hydro's gas turbine generation on the Island Interconnected System.

Gas Turbine Generation											
	2007T¹	2008	2009	2010	2011	2012	2013T	2014F	2015F	2016F	2017F
GWh											
Cost (\$000s)											
Cost (¢ per kWh)											

¹ 2007T represents Hydro's 2007 Test Year.

NP-NLH-80 Calculate the pro-forma RSP Hydraulic Production Variation balance that would exist at the end of June 2013 using the hydraulic production data provided in the response to Request for Information NP-NLH-17 and assuming: (i) the current RSP Hydraulic Production Variation mechanism; (ii) the 2013 Test Year forecast cost of No. 6 fuel; (iii) the 2013 Test Year Holyrood energy conversion factor; and, (iv) the 2013 forecast RSP finance costs.

Please provide the response in a tabular format similar to response to Request for Information NP-NLH-18.

NP-NLH-81 Calculate the pro-forma RSP Hydraulic Production Variation balance that would exist at the end of June 2013 using the hydraulic production data provided in the response to Request for Information NP-NLH-17 and assuming: (i) the RSP Hydraulic Production Variation mechanism includes a balance disposition approach reflecting a discrete or fixed write-off period of 3 years; (ii) the 2013 Test Year forecast cost of No. 6 fuel; (iii) the 2013 Test Year Holyrood energy conversion factor; and, (iv) the 2013 forecast RSP finance costs.

Please provide the response in a tabular format similar to response to Request for Information NP-NLH-18.

Reference: Finance Evidence

NP-NLH-82 Please provide the debt guarantee fee market analysis completed by Hydro's capital market advisor in the fall of 2010. (Finance Evidence, page 3.5, lines 1 to 4)

NP-NLH-83 Please provide a schedule showing the calculation of the proposed test year debt guarantee fee for 2013 forecast. (Finance Evidence, page 3.5, Table 3.1)

NP-NLH-84 Please complete the below table detailing the \$9.1 million in estimated savings for Hydro positions transferred to Nalcor from 2008 to 2013. Please provide details on any "other costs or savings". (Finance Evidence, page 3.14, lines 6 to 7)

<p align="center">Estimated Savings of Positions Transferred from Regulated Hydro to Nalcor (\$000s)</p>					
Gross Estimated Savings (A)	Cost of FTE Time in Other Lines of Business Charged to Hydro (B)	Cost of New Positions Hired (C)	Cost of Position Filled by Contract Work (D)	Other Costs or Savings (E)	Net Estimated Savings (A - B - C - D - E)

NP-NLH-85

Please provide details of the costs incurred by Hydro to (i) expand its engineering and operations workforce and (ii) implement a retention and recruitment initiative for each year from 2008 to 2013. (Finance Evidence, page 3.14, lines 7 to 10)

Costs Incurred for Workforce Expansion and Retention and Recruitment (\$000s)						
	2008	2009	2010	2011	2012	2013F
Expand Engineering and Operations Workforce						
Retention and Recruitment Initiative						

NP-NLH-86

Please provide inputs to table below to reconcile quantities provided in Chart 3.4: Executive and Administration Net FTEs. Please include forecast data to 2015. (Finance Evidence, page 3.15, Chart 3.4)

Calculation of Executive and Administration Net FTEs 2007 to 2015F									
	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Hydro Employee Time (in FTEs)									
LESS: Hydro Employee Time Charged to Other Lines of Business (in FTEs)									
PLUS: Employee Time in Other Lines of Business Charged to Hydro (in FTEs)									
NET FTEs	176	164	162	156	156	154	160		

NP-NLH-87

Please provide inputs to table below to reconcile quantities provided in Chart 3.5: Engineering and Operations Net FTEs. Please include forecast data to 2015. (Finance Evidence, page 3.15, Chart 3.5)

Calculation of Engineering and Operations Net FTEs 2007 to 2015F									
	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Hydro Employee Time (in FTEs)									
LESS: Hydro Employee Time Charged to Other Lines of Business (in FTEs)									
PLUS: Employee Time in Other Lines of Business Charged to Hydro (in FTEs)									
NET FTEs	637	633	642	653	647	647	655		

NP-NLH-88

Please provide in the table below: (i) the common costs of Hydro Place, including interest and depreciation shared with other Nalcor entities; (ii) the administration fee recoveries; and, (iii) the amount incurred by regulated Hydro for 2007 to 2015 forecast. Provide details on any “other adjustments”. (Finance Evidence, page 3.16, Chart 3.6)

Calculation of Hydro Administration Fee Recoveries 2007 to 2015F (\$millions)									
	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Common Costs									
Less: Administration Fee Recoveries	(1.5)	(1.8)	(2.2)	(3.1)	(3.4)	(5.4)	(6.0)		
Add/(Less): Other Adjustments									
Common Costs Paid by Regulated Hydro									

NP-NLH-89

Please provide (i) gross costs and (ii) cost recoveries by Hydro related to each shared services department including, without limitation, HROE for each year from 2007 through 2015 forecast. (Finance Evidence, page 3.16, lines 7 to 8)

NP-NLH-90

Please provide a supporting calculation of the approximately \$74.0 million in avoided fuel costs at Holyrood due to new energy sources. (Finance Evidence, page 3.20, lines 7 to 9)

Reference: Rates and Regulation Evidence

- NP-NLH-97 Please provide copies of all Orders in Council which require, either directly or indirectly, that the rates paid by each of (i) Hydro's Island Interconnected System Customers; (ii) Hydro's Island Isolated System Customers; (iii) Hydro's Labrador Isolated System Customers, and (iv) Hydro's L'Anse Au Loup System Customers are to reflect, in whole or in part, the rates charged by Newfoundland Power to its customers.
- NP-NLH-98 Identify the specific initiatives, by year, that Hydro has undertaken to reduce the rural deficit for the period 2007 to 2013 and estimate the 2013 Test Year savings (in dollars and kW/kWh) resulting from those initiatives. (Rates and Regulation Evidence, page 4.4, lines 3 to 4)
- NP-NLH-99 For each of the Provincial electrical systems, provide the detailed reasons (and related dollar impacts) for the annual changes in the rural deficit for the period from 2007 to 2012 and forecast 2013, 2014, 2015 and 2016. (Rates and Regulation Evidence, page 4.4, lines 3 to 4)
- NP-NLH-100 For each year from 1997 to forecast 2016, please estimate the impact on the rural deficit of the change from the Labrador Isolated System rates to the Island Interconnected rates (i.e., through either increased usage or increased capital requirements) for the L'Anse Au Loup system as recommended by the Board in its report of July 12, 1996. (Rates and Regulation Evidence, page 4.4, lines 3 to 4)
- NP-NLH-101 For Domestic customers on each of (i) the L'Anse Au Loup system and (ii) the Labrador Isolated System (excluding Government departments), please provide, in tabular form, a comparison of customer electricity costs with Island Interconnected System customer electricity costs for a range of kWh consumption levels from 500 kWh per month to 3000 kWh per month (in 500 kWh increments). In the response, include the effects of the Northern Strategic Plan in the cost calculations. (Rates and Regulation Evidence, page 4.9, line 14 to page 4.10, line 18).
- NP-NLH-102 Please complete the table below:

Energy Sales by Hydro Rural System							
	1992	1996	2000	2008	2012	2013 Test Year	2016 Forecast
L'Anse Au Loup							
Island Isolated							
Island Interconnected							
Labrador Isolated							
Total							

NP-NLH-103

Please complete the table below:

Average kWh Usage per Customer by Hydro Rural System							
	1992	1996	2000	2008	2012	2013 Test Year	2016 Forecast
L'Anse Au Loup							
Island Isolated							
Island Interconnected							
Labrador Isolated							
Total							

NP-NLH-104

Please complete the table below providing the conservation and demand management expenditures for each Hydro Rural system.

Conservation and Demand Management Expenditures by Hydro Rural System						
Year	L'Anse Au Loup	Island Isolated	Island Interconnected	Labrador Isolated	Labrador Interconnected	Total
2007						
2008						
2009						
2010						
2011						
2012						
2013F						
2014F						
2015F						
2016F						
2017F						
Total						

NP-NLH-105

Please complete the table below providing the estimated kwh savings resulting from conservation and demand management expenditures for each Hydro Rural system.

Conservation and Demand Management Savings by Hydro Rural System						
Year	L'Anse Au Loup	Island Isolated	Island Interconnected	Labrador Isolated	Labrador Interconnected	Total
2007						
2008						
2009						
2010						
2011						
2012						
2013F						
2014F						
2015F						
2016F						
2017F						
Total						

NP-NLH-106

Please complete the table below providing the actual capital expenditures by Hydro Rural System.

Actual Capital Expenditures by Hydro Rural System						
Year	L'Anse Au Loup	Island Isolated	Island Interconnected	Labrador Isolated	Labrador Interconnected	Total
2000						
2001						
2002						
2003						
2004						
2005						
2006						
2007						
2008						
2009						
2010						
2011						
2012						
Total						

- NP-NLH-107 Please explain in detail why it is appropriate to charge Newfoundland Power a marginal energy rate of 10.400¢ per kWh and the Industrial Customers a marginal energy rate of 4.782¢ per kWh. (Rates and Regulation Evidence, page 4.5, line 19 and page 4.7, line 18)
- NP-NLH-108 Please provide copies of the current integration studies related to the proposed interconnection of Muskrat Falls to the Island grid. (Rates and Regulation Evidence, page 4.7, lines 7-9)
- NP-NLH-109 Please provide copies of the current reliability studies related to the proposed interconnection of Muskrat Falls to the Island grid. (Rates and Regulation Evidence, page 4.7, lines 7-9)
- NP-NLH-110 Please provide the current forecast of electricity rate impacts for customers served by the Island grid as a result of the proposed interconnection of Muskrat Falls to the Island Interconnected System. The response should specifically include the marginal cost of demand and energy delivered from Muskrat Falls to customers served by the Island Interconnected System. (Rates and Regulation Evidence, page 4.7, lines 7-9)
- NP-NLH-111 Please describe the commercial arrangements which exist relating to Hydro's purchase of electricity from Muskrat Falls. The response should provide copies of any formal agreements which have been concluded relating to these arrangements. (Rates and Regulation Evidence, page 4.7, lines 7-9)
- NP-NLH-112 Please provide, in tabular form, a comparison of (i) the diesel fuel cost variance by year as shown in Table 4.8 on page 4.24 and (ii) the transfers, by year, to the Rural Rate Alteration in the Newfoundland Power Rate Stabilization Account. (Rates and Regulation Evidence, page 4.24, Table 4.8)

NP-NLH-113

Please complete the table below providing the forecast firm base rate revenue by month for 2014 (excluding RSP) under the existing rate and the proposed rate.

2014 Forecast Monthly Base Rate Revenue Increases From Newfoundland Power (\$000s)				
Month	Revenue at Existing Rate	Revenue at Proposed Rate	\$ Change	% Change
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total				

NP-NLH-114

Please provide a table comparing on a unit cost basis the 2014 forecast monthly base rate revenue at proposed rates to the 2014 monthly base rate revenue at existing rates. Please provide the response in a tabular format consistent with that provided in the response to Request for Information NP-NLH-113.

Reference:**Volume II, Exhibit 5: Hatch letter re: Modeling...System Capability**

NP-NLH-115

Page 3 of Exhibit 5: *Hatch letter re: Modeling...System Capability* states...

“The average annual hydroelectric energy production should be calculated as the average for the years in the study period, not including the warm up years and omitting the last year(s) if it appears that end conditions are affecting the results, as long as at least five years are used for the average”.

Please provide the calculation of average annual hydroelectric energy production for the 2013 Test Year together with a detailed explanation justifying the methodology used. (Volume II, Exhibit 5, page 3)

Reference: Volume II, Exhibit 6: Allowed Range of Return on Rate Base for Newfoundland and Labrador Hydro

NP-NLH-116 Please confirm that for Hydro’s proposed range of return on rate base, Hydro could earn a return on equity of up to 9.80% in the 2013 Test Year before Hydro would have excess earnings. (Volume II, Exhibit 6, Page 15, Table 5)

Reference: Volume II, Exhibit 9: Cost of Service Study / Utility and Industrial Rate Design Report

NP-NLH-117 Are any of Hydro’s non-program CDM costs allocated to Newfoundland Power? If so, please indicate the 2013 Test Year allocation to Newfoundland Power. (Volume II, Exhibit 9, page 3, Section 1.7.1)

NP-NLH-118 Page 10 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report* states...

“Rate designs will incorporate an element of revenue/price stability, certainty, predictability and understandability. This will include consideration of marginal costs over a number of years into the future.”

Given that Hydro is proposing a 4.8% *decrease* in wholesale charges to Newfoundland Power, please explain in detail how an *increase* in the demand charge from \$4 per kW to \$9.12 per kW (128%) and an *increase* in the marginal energy rate (i.e., the excess rate) from 8.805¢ to 10.400¢ per kWh (18%) is consistent with each of the principles of revenue/price stability, certainty, predictability and understandability and considers marginal costs over a number of years into the future (i.e., gives consideration of marginal costs of a Labrador Interconnection). (Volume II, Exhibit 9, Page 10)

NP-NLH-119 Page 14 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report* indicates one of the rate design principles was that “cash flows of both utilities should not be unduly impacted”. Given Newfoundland Power’s revenues are recovered primarily through energy charges, did Hydro review the potential impact on Newfoundland Power’s cash flow of the proposed wholesale rate? If yes, please provide the analysis. (Volume II, Exhibit 9, Page 10)

NP-NLH-120 Page 15 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report* includes the statement on the proposed wholesale rate for Newfoundland Power:

“...this rate structure is seen to be moving towards closer alignment with the possible demand/energy relationship of the next least-cost supply source”.

The proposed wholesale rate (i) materially increases demand charges from \$4/kW per month to \$9.12/kW per month and (ii) materially increases the price differential between the 1st block and the excess energy block. Explain in detail how these proposed rate design changes move towards closer alignment with the possible demand/energy relationship of the next least-cost supply source. In the response, explicitly indicate the quantitative relationship of the proposed rate design with the next least-cost supply source. (Volume II, Exhibit 9, Page 15)

NP-NLH-121 Page 17 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report* includes the statement:

“This [CDM] program has effectively addressed concerns over incentives being available to the IC for CDM, thereby mitigating the need for a two-block rate structure.”

Please indicate how Lummus Consultants considered existing and proposed retail CDM programs in the wholesale rate design for Newfoundland Power. (Volume II, Exhibit 9, Page 17)

NP-NLH-122 Page 17 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report* includes the statement:

“Adjusting the IC rate structure at this time for a fuel price signal, expected to no longer be required within the relatively near term, and in light of the CDM requirements being addressed as discussed previously, does not appear to be prudent.”

Based upon the preceding statement, explain why is it prudent in the wholesale rate to Newfoundland Power to decrease the energy price in the 1st kWh block and increase the energy price in the excess kWh block from 8.805¢ per kWh to 10.400¢ per kWh. (Volume II, Exhibit 9, Page 17)

NP-NLH-123 Does Lummus Consultants agree that the demand charge in the wholesale rate provides a benchmark for Newfoundland Power to use in assessing load management initiatives? If not, why not? (Volume II, Exhibit 9)

NP-NLH-124 Does Lummus Consultants agree that a wholesale rate that promotes increased frequency of customer load curtailments at times not required for system support is encouraging inefficient use of society’s resources? If not, why not? (Volume II, Exhibit 9)

NP-NLH-125 Please explain why Hydro is proposing a surcharge approach for recovering CDM costs rather than processing the recovery through the RSP. In the response, please present the advantages and disadvantages of each alternative. (Volume II, Exhibit 9, Appendix 1, page A1-1)

Reference: Volume II, Exhibit 13: 2013 Cost of Service Study

- NP-NLH-130 Please provide an electronic copy of the 2013 Cost of Service Study with formulas and user documentation included. (Volume II, Exhibit 13)
- NP-NLH-131 Please identify each major Island Interconnected System change from 2007 Test Year to 2013 Test Year identifying additional transmission lines, sources of energy supply (i.e., including both generation and purchases), terminal stations, power transformers, capacitor banks, etc. For each system change, indicate whether the asset is designated as common or specifically assigned, or in the case of new energy supply, whether the addition changed the designation of existing assets. (Volume II, Exhibit 13)
- NP-NLH-132 Please provide a table comparing the functionalization and classification ratios for generation and transmission assets for the 2007 Test Year and the 2013 Test Year. (Volume II, Exhibit 13)
- NP-NLH-133 Please provide and explain any changes that would occur in the functionalization and classification ratios for generation and transmission assets if the test year was based upon supplying the load forecast for 2014. (Volume II, Exhibit 13)
- NP-NLH-134 Please identify any changes from 2007 Test Year to 2013 Test Year in the treatment of assets as being common or specifically assigned. For any changes provided in the response, please explain the basis for the proposed change and the impacts of revenue requirement for each customer class. (Volume II, Exhibit 13)
- NP-NLH-135 Please provide the calculation of the interconnected system load factor for each year from 2007 to 2017 Forecast. (Volume II, Exhibit 13)
- NP-NLH-136 Please provide the classification ratios (i.e., demand/energy cost split) for each source of energy purchases reflected in the 2013 Test Year on the Island Interconnected System. In the response, please provide the basis for each classification ratio. (Volume II, Exhibit 13)

Reference: Volume II, Exhibit 14: Holyrood Thermal Generating Station (Decommissioning Study)

- NP-NLH-137 Pages 3.9 to 3.10 of Exhibit 14: *Holyrood Thermal Generating Station – Decommissioning Study* states:

“Selectively demolishing and removing only the boiler house will result in additional demolition costs due to the care and attention required to remove only certain parts of the building and equipment without damaging the sections that are to remain occupied and operational.”

Has Hydro completed any studies demonstrating that the continued operation of Unit #3 as a synchronous condenser is the least cost alternative to provide the necessary system functionality after the 2020 decommissioning of the Holyrood Thermal generating station? If so please provide these studies. If not, does Hydro intend to undertake such studies? (Volume II, Exhibit 14, pages 3.9 to 3.10)

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 20th day of September, 2013.



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