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July 20, 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:

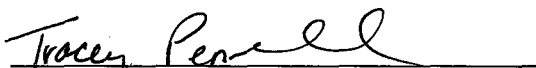
**Re: Newfoundland and Labrador Hydro – 2013 AMENDED General Rate Application
Prudence Review - Requests for Information to Liberty**

Enclosed please find the original plus 12 copies of Newfoundland and Labrador Hydro's Requests for Information PR-NLH-PUB-001 to PR-NLH-PUB-021 with regard to Liberty's *Prudence Review of Newfoundland and Labrador Hydro Decisions and Actions Final Report*.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO


Tracey Pennell
Legal Counsel

TLP/cp

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
Danny Dumaresque
ecc: Roberta Frampton Benefiel – Grand Riverkeeper Labrador

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

IN THE MATTER OF the *Electrical Power Control Act, 1994*, SNL 1994, Chapter E-5.1 (the “EPCA”) and the *Public Utilities Act*, RSNL, 1990, Chapter P-47 (The “Act”), as amended, and regulations thereunder; and

IN THE MATTER OF a general rate application filed by Newfoundland and Labrador Hydro on July 30, 2013; and

IN THE MATTER OF an amended general rate application filed by Newfoundland and Labrador Hydro on November 10, 2014; and

IN THE MATTER OF a prudence review relating to certain Actions and costs of Newfoundland and Labrador Hydro.

Requests for Information

From Newfoundland and Labrador Hydro

Liberty Consulting Group (“Liberty”)

***Prudence Review of Newfoundland and Labrador Hydro Decisions and Actions Final Report
Dated July 6, 2015***

Issued: July 20, 2015

PR-NLH-PUB-001 **Reference:** At page 16 of the report, Liberty states that it “concluded that most of the outages were either weather-related or reflected the typical types of failures one would expect”. Also at page 16, Liberty states that Hydro, “had to deal with emergency circumstances caused by the unavailability of 233 MW of generation, with high loads due to low temperatures (-18° C) and extreme wind chill factors. These factors required institution of rotating blackouts.” Also at page 16 Liberty states that it, “did not find a basis for imprudence with respect to supply planning and management of unit availability during the relevant period”.

Please confirm Liberty’s understanding that the public outage inquiry dealt in part with matters which Liberty found were not attributable to any imprudence on the part of Hydro.

PR-NLH-PUB-002 **Reference:** At page 17 of the report, Table 3.1, and estimated prudence-related costs of \$2,189,110

- (a) Please identify the sources of the data which Liberty used to populate the figures in Table 3.1.
- (b) Please advise if Liberty assumed in developing its estimated prudence-related costs calculation that Holyrood Unit 1 was unavailable for four full days, January 5-8, 2014. If Liberty did not assume that, please advise what Liberty’s understanding was of the time period Holyrood Unit 1 was off between January 5-8, 2014.

PR-NLH-PUB-003 **Reference:** At page 27 of the report, Liberty states “Hydro cannot determine, despite substantial efforts by its personnel and consultants, the causes of the Sunnyside breaker failure on January 4, 2014. Liberty cannot do so either.”

Please describe in detail all activities undertaken by Liberty to determine the causes of the Sunnyside breaker failure on January 4, 2014.

PR-NLH-PUB-004 **Reference:** At page 36 of the report, Liberty states that “The receiver tanks remained exposed to weather for a long, one-month period.”

Liberty acknowledges on page 36 of its report that, “Hydro reported that it had secured waterproof covers over the tank and the driving rod”, yet Liberty indicates that the receiver tanks remained exposed to weather for a long, one-month period. Please describe what Liberty means by the receiver tanks remaining “exposed to weather for a long one-month period” and the basis on which it makes that statement.

PR-NLH-PUB-005 **Reference:** At page 36 of the report, Liberty states “Based on information available at the time, Hydro did not act reasonably in protecting the equipment”.

Please specify what information Liberty believed Hydro had available at the time when Hydro protected the equipment.

PR-NLH-PUB-006 **Reference:** At page 44 of the report, Liberty recommends an overtime disallowance of \$3.6 million. Please confirm the following:

- a) The \$3.6 million Liberty identified was calculated using 12 months actuals of gross pay for Regulated Operations permanent employees.
- b) The overtime Hydro requested in the \$45.9 million deferral was based upon five months of actuals and seven months of forecast.
- c) The \$3.6 million Liberty identified includes both operating and capital overtime. If it includes both operating and capital, please provide a breakdown of the \$3.6 million between operating and capital, in dollars and hours.

PR-NLH-PUB-007 **Reference:** At page 44 of the report, Liberty states that Black Start Operating expenses are \$160,485.

Please provide the basis for and breakdown of the components of operating expenses and the calculation of how Liberty arrived at \$160,485.

PR-NLH-PUB-008 **Reference:** At page 45 of the report, Liberty states that it “used the annual average overtime hours for the 2011 through 2013 period as a basis of comparison against 2014 data”.

Please provide Liberty’s rationale for use of the 2011 through 2013 period for its comparison.

PR-NLH-PUB-009 **Reference:** At page 45 of the report, it was the opinion of Liberty that the following costs were recommended for disallowance:

Outage Inquiry legal fees	\$876,000
PUB Outage Inquiry	\$958,000
Intervener Outage Inquiry	\$250,000

Please confirm that Liberty did not segregate the costs noted above between Phase 1 and Phase 2 of the outage inquiry.

PR-NLH-PUB-010 **Reference:** At page 45 of the report, it was the opinion of Liberty that the following costs were recommended for disallowance:

PUB Outage Inquiry	\$958,000
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- a) Please confirm Liberty’s understanding is that the PUB outage inquiry figure of \$958,000 is Hydro’s estimate of Hydro’s portion of Liberty’s costs to be charged to the PUB for work completed as of December 31, 2014.
- b) Please provide a breakdown of the \$958,000 referable to work Liberty carried out with respect to Phase 1 and Phase 2 in 2014.

PR-NLH-PUB-011 **Reference:** At page 45 of the report, it was the opinion of Liberty that the following costs were recommended for disallowance:

Sunnyside Environment Remediation	\$346,000
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- a) Please provide how Liberty calculated the \$346,000 figure.

- b) Please confirm that Liberty understood that the \$335,900 for consultants in PR-PUB-NLH-152 (Revision 1, Jun 17-15) (located on second table page 2 of 3) is for Sunnyside Environment remediation.
- c) With respect to the \$335,900 figure, can Liberty please confirm that this amount is included in the net income impact on the first table on page 2 of 3 of PR-PUB-NLH-152 (Revision 1, Jun 17-15) and the Sunnyside Replacement Equipment 2014 Net Operating Expenses on page 44, table 9.1 of the Liberty report.

PR-NLH-PUB-012 **Reference:** At page 46 of the report, Liberty states that it “concluded that the \$511,000 in executive leadership and finance cost transfers would not have occurred in the absence of the outages”.

- a) Please provide the basis for Liberty’s conclusion.
- b) Please provide the basis for the \$511,000 figure and Liberty’s understanding of what activities those dollars were related to.

PR-NLH-PUB-013 **Reference:** At page 51 of the report, Liberty states that “In January 2012, Hydro elected to reject all of the potential solutions offered by its consultant.”

- a) At the time that Hydro elected not to proceed with the potential solutions offered by its consultant which of those solutions does Liberty suggest Hydro should have proceeded with?
- b) Please provide Liberty’s rationale for the solution it believes Hydro should have proceeded with arising from its consultant report.

PR-NLH-PUB-014 **Reference:** At page 57 of the report, Liberty states that Hydro’s actions have produced only a short period during which the black start capability will be useful and, “That period is too short to justify the recovery of the associated costs from the customers.”

- a) Is Liberty aware of other regulators who have denied full recovery of a used and useful asset due solely to the period of time for which the asset was in service?

- b) If the answer to (a) is yes, please provide the applicable regulatory board decisions.

PR-NLH-PUB-015 **Reference:** At page 58 of the report, Liberty states that it “believes that Hydro’s imprudence contributed to the damage” at Holyrood Unit 1.

- a) Liberty suggests that actions of Hydro “contributed to the damage”. Please specify what portion of the damage Liberty suggests Hydro’s actions “contributed to”.
- b) Other than Hydro’s actions, please explain what other factors “contributed” to the damage?

PR-NLH-PUB-016 **Reference:** At page 58 of the report, Liberty states that “triple redundancy for the supply of lubricating oil to the turbine generator comprises a minimum requirement”.

Please provide the basis and authorities that support this statement.

PR-NLH-PUB-017 **Reference:** At page 61 of the report, Liberty states that “Good utility practice and basic common sense dictates that any system test sequence should be designed and executed under the primary criterion that the system function as intended”.

Please provide the “good utility practice” standard that supports this comment with respect to test sequences and indicate where that standard comes from.

PR-NLH-PUB-018 **Reference:** At page 63 of the report, Liberty states that “The loss of two systems from the same fault constitutes a ‘common mode failure’”.

- a) Please indicate what “fault” Liberty suggests constitutes a “common mode failure”.

- b) If the answer to (a) is “Holyrood’s isolation from the system”, please describe Liberty’s understanding of how Holyrood became isolated from the system for the applicable situation.

PR-NLH-PUB-019 **Reference:** At page 64 of the report, Liberty states that “the information available indicates that the vendor likely did not test the motor”.

Please specifically indicate what “information available” indicates that the vendor likely did not test the motor.

PR-NLH-PUB-020 **Reference:** At page 65 of the report, Liberty states that “Hydro has also estimated the replacement power costs for the period that Unit 1 was in an outage in 2014 for vibration repairs at \$504,610.”

Does Liberty agree that the methodology used by Hydro in estimating those replacement power costs as set out in Hydro’s response to PR-PUB-NLH-129 (Revision 1) is a valid approach?

PR-NLH-PUB-021 **Reference:** At page ES-6 of the report, Liberty states that “Hydro carries a \$45.9 million deferred asset that reflects the difference between a calculation of 2014 revenue requirements and those used most recently to establish rates for electricity service. Hydro made its revenue deficiency calculation using five months of actual and seven months of estimated 2014 costs. Using actual costs, Liberty..... identified \$13.4 million in actual 2014 operating costs as avoidable but for the 2014 outages.”

Please confirm the following:

- a) the \$13.4 million Liberty identified was based on twelve months of actuals; and
- b) the \$13.4 million Liberty identified includes costs that are not included in the \$45.9 million Revenue Deficiency Application and for which Hydro has not requested recovery.