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September 7, 2011

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Via Electronic Mail & 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, Board Secretary

Dear Ms. Blundon:

Re: Application for 2012 Hydro Capital Budget – Requests for Information of the Industrial Customers

We enclose the original and eight copies of the Requests for Information of the Industrial Customers in relation to the above Application.

Hydro has not yet filed its report in support of Project B -27, Upgrade Transmission Line Corridor. The Industrial Customers are requesting an extension for filing of RFIs in relation to this Project, and that the new filing date be determined after the report has been received by the parties.

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

Yours truly,

Stewart McKelvey

Paul L. Coxworthy

PLC/kmcd

Enclosure

- c. Mr. Geoffrey P. Young, Senior Legal Counsel, Newfoundland and Labrador Hydro
- Mr. Thomas J. Johnson, Consumer Advocate
- Mr. Gerard Hayes, Newfoundland Power
- Mr. Dean A. Porter, Poole Althouse

IN THE MATTER OF the *Public Utilities Act* (the “Act”): and

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro for an Order approving (1) its 2012 Capital Budget pursuant to s. 41(1) of the Act; (2) its 2012 capital purchases and construction projects in excess of \$50,000.00 pursuant to s. 41(3)(a) of the Act; (3) its leases in excess of \$5,000.00 pursuant to s. 41(3)(b) of the Act; and (4) its estimated contributions in aid of construction for 2012 pursuant to s. 41(5) of the Act and for an Order pursuant to s. 78 of the Act fixing and determining its average rate base for 2010

1 **REQUESTS FOR INFORMATION OF THE INDUSTRIAL CUSTOMERS**

2 **Re General**

3 **IC-NLH-1** For each of the projects under Tab B (\$500,000 and over) indicate
4 what amount of each project will give rise to assets which, for Cost
5 of Service Study purposes, will be specifically assigned to Rural
6 Operations and what amount will be assigned to common.

7 **Re IFRS**

8 **IC-NLH-2** At page 3 of 6, paragraph 7 of Hydro’s Application (Volume I, First
9 Tab), Hydro states that IFRS assumptions are imbedded in each
10 capital proposal. At page 2 of the “2012 Capital Projects Overview”
11 (Volume I, Second Tab), in Table 1, Hydro indicates a net positive
12 impact on capital (ie amounts included in capital under IFRS that
13 are excluded under GAAP) in relation to Major Overhauls and
14 Inspection and Allowance for Funds Used During Construction
15 (AFUDC). Hydro, at page 3 of the “2012 Capital Projects
16 Overview”, has provided a by-project breakdown of the IFRS-
17 inclusions for Major Overhauls and Inspection; the IFRS-inclusions
18 for AFUDC, as presented by Hydro, are not in themselves material.
19 Are there any other amounts included in capital in this Application,
20 due to the proposed implementation by Hydro of IFRS, which would
21 have been excluded under GAAP or would have been otherwise
22 excluded under the regulatory capital accounting approved for
23 previous Capital Budget Applications? If yes, indicate the total

- 1 amount of IFRS-based inclusions, and a breakdown of that total
2 amount by each Capital Project affected.
- 3 **IC-NLH-3** At pages 2-3 of the “2012 Capital Projects Overview” (Volume I,
4 Second Tab), Hydro identifies that it has adopted certain policies
5 and guidelines with respect to capitalizing Major Inspections and
6 Overhauls. Are the precise terms of those policies and guidelines
7 (identified as items 1), 2) and 3) at the top of page 3) mandated by
8 IFRS or do they represent Hydro’s interpretation of IFRS
9 requirements? Has Hydro considered, or is Hydro aware of, other
10 policies and guidelines for implementation of IFRS with respect to
11 capitalizing Major Inspections and Overhauls?
- 12 **IC-NLH-4** Have all other Canadian electricity rate-regulated utilities adopted
13 the same policies and guidelines in relation to capital and IFRS
14 which are proposed to be implemented by Hydro? What inquiries
15 has Hydro made, or caused to be made, to determine the policies
16 and guidelines in relation to IFRS and capital expenditure which
17 have been adopted by other Canadian electricity rate-regulated
18 utilities? Is Hydro aware of whether other policies/guidelines have
19 been considered by or for other Canadian electricity rate-regulated
20 utilities for implementation of IFRS in relation to capital
21 expenditure?
- 22 **IC-NLH-5** Hydro is requesting that the Board approve Hydro’s proposed
23 changes to its capital expenditure methodology to incorporate the
24 requirements of IFRS. Will areas of capital expenditure, other than
25 the five areas identified in Table 1 at page 2 of the “2012 Capital
26 Projects Overview” (Volume I, Second Tab), be affected by the
27 sought after approval in future Capital Budget Applications? If yes,
28 in what other areas will the IFRS methodology result in amounts
29 excluded from capital under the regulatory capital accounting
30 approved for previous Capital Budget Applications being included in
31 capital in future Capital Budget Applications?
- 32 **IC-NLH-6** Has Hydro developed a more complete statement of its proposed
33 policies and guidelines in relation to IFRS and capital expenditure
34 than appears at pages 1-4 of the “2012 Capital Projects Overview”
35 (Volume I, Second Tab)? If yes, disclose that more complete
36 statement.
- 37 **IC-NLH-7** Disclose all reports and other documentary resources (other than
38 International Accounting Standards 16 and 23), whether prepared
39 by Hydro internally or obtained by Hydro from external sources,
40 considered by Hydro in developing its proposed policies and
41 guidelines in relation to IFRS and capital expenditure.
- 42

1 **Re 2012 Capital Plan**

2 **IC-NLH-8** At pages 6 of the “2012 Capital Plan” (Volume I, Third Tab), Hydro
 3 indicates that its 2012-2016 sustaining capital expenditures to
 4 maintain the existing systems will rise, that its draft five year plan is
 5 under review, and that it intends to update the five year projection
 6 in the December 2011 quarterly report. In light of the Board’s
 7 ordering of a separate Phase II review of capital projects in relation
 8 to the Holyrood Generating Plant, will Hydro be accelerating its
 9 update of the five year projection for capital expenditures on the
 10 Holyrood facilities, so that the Board and parties can have the best
 11 information available to them for the purposes of the Phase II
 12 review?

13 **Re 2012 Capital Plan – Individual Capital Projects:**

14 The Industrial Customers have the following requests for information in relation to
 15 individual capital projects:

16 **IC-NLH-9** **Project B-25, Replace Emergency Diesel Generator (Bay**
 17 **d’Espoir):** At Volume II, Tab 9, page 8, Section 3.10, Hydro states
 18 that sequential restarts of essential load is a practice that is unsafe
 19 and exposes operators to unnecessary risk. Are there any safety
 20 issues that would arise from this practice, other than those
 21 described at Volume II, Tab 9, page 8? Confirm this practice would
 22 only be necessary in a black start (black plant) condition, which last
 23 occurred in 2003. For how long have the safety issues in relation to
 24 this practice existed, and what steps has Hydro previously taken to
 25 mitigate those issues?

26 **IC-NLH-10** **Project B-25, Replace Emergency Diesel Generator (Bay**
 27 **d’Espoir):** On how many occasions since 1967 has Bay d’Espoir
 28 experienced a black start (black plant) condition? What were the
 29 causes of each black start (black plant) condition experienced?

30 **IC-NLH-11** **Project B-25, Replace Emergency Diesel Generator (Bay**
 31 **d’Espoir):** At Volume II, Tab 9, page 8, Section 3.5, Hydro
 32 describes a procedure relating to the black start condition in 2003,
 33 where the diesel mechanic had to manually operate the diesel
 34 engine governing unit. Hydro describes the procedure as both
 35 unsafe for the mechanic and creating a risk of equipment damage.
 36 Was the need to use this procedure in 2003 due to the generator
 37 being 200 kW in size, or due to other problems with the generator?
 38 If due to other problems, were these addressed by Hydro by the
 39 partial overhaul in 2003?

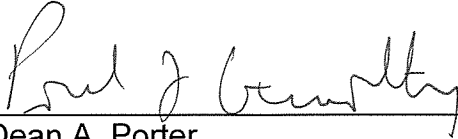
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- 1 **IC-NLH-12** **Project B-25, Replace Emergency Diesel Generator (Bay**
2 **d’Espoir):** Are there other potential solutions to minimize the risk of
3 a black plant condition occurring and/or to mitigate safety issues if a
4 black plant condition is experienced, other than increasing the
5 emergency diesel generating capacity to 500 kW?
- 6 **IC-NLH-13** **Project B-25, Replace Emergency Diesel Generator (Bay**
7 **d’Espoir):** What would be the cost of installing a new 200 kW
8 emergency diesel generator in the existing diesel generating room?
- 9 **IC-NLH-14** **Project B-27, Upgrade Transmission Line Corridor:** Hydro has
10 not filed its report in support of this Project. The Industrial
11 Customers will be requesting an extension for filing of RFIs in
12 relation to this Project, and that the new filing date be determined
13 after the report has been received by the parties.
- 14 **IC-NLH-15** **Project B-60, Upgrade JD Edwards:** Does Nalcor use the
15 information systems to be upgraded and, if so, what upgrade
16 expenditures are assigned to Nalcor?
- 17 **IC-NLH-16** **Project C-136, Upgrade Transmission Line Access Trails:** With
18 reference to “Maintenance History” on page C-139, when were
19 Hydro ground maintenance crews phased out? Did the operational
20 maintenance program for access trails change after Hydro ground
21 maintenance crews were phased out? Provide a complete copy of
22 the policies and guidelines applicable to access trail maintenance
23 for the period when that work was still performed by Hydro ground
24 maintenance crews.
- 25 **IC-NLH-17** **Project C-136, Upgrade Transmission Line Access Trails:** On
26 page C-139, it is stated that the operating budget for access trail
27 maintenance is \$160,000. What were the actual operating
28 expenditures, per year, for access trail maintenance in the period
29 2001-2010? What does Hydro project as the operating budgets, per
30 year, for access trail maintenance for the period 2012-2016 if this
31 Project is approved? What does Hydro project as the operating
32 budgets, per year, for access trail maintenance for the period 2012-
33 2016 if this Project is not approved?
- 34 **IC-NLH-18** **Project C-136, Upgrade Transmission Line Access Trails:** On
35 page C-138, in Table 3, ATV and Snowmobile Incidents Since 2003
36 are tabulated. Were the circumstances of these incidents reported
37 in writing? If yes, provide complete copies of those reports.
- 38

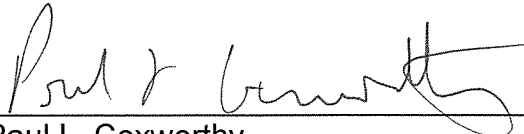
- 1 **IC-NLH-19** **Project C-136, Upgrade Transmission Line Access Trails:** On
2 page C-138, in Table 3, ATV and Snowmobile Incidents Since 2003
3 are tabulated. Were the circumstances of these incidents subject to
4 any occupational health and safety review, or like internal review,
5 by Hydro? If yes, provide complete copies of the review results.
- 6 **IC-NLH-20** **Project C-136, Upgrade Transmission Line Access Trails:** What
7 measures has Hydro taken to ensure that ATVs and snowmobiles
8 used for operational maintenance on the access trails are operated
9 in a competent and safe manner?
- 10 **IC-NLH-21** **Project C-136, Upgrade Transmission Line Access Trails:**
11 Provide a complete copy of the contractual terms, policies and
12 guidelines which have been applicable to access trail maintenance
13 by temporary employees and contractors since Hydro ground
14 maintenance crews were phased out.
- 15 **IC-NLH-22** **Project C-136, Upgrade Transmission Line Access Trails:** Has
16 Hydro received any order or direction specifically addressed to
17 Hydro from a federal or provincial department or agency, requiring
18 specified measures to be taken in relation the existing access
19 trails? If yes, provide copies of all such orders, directions and
20 correspondence between Hydro and the department/agency in
21 relation thereto.
- 22 **IC-NLH-23** **Project C-210, Upgrade Enterprise Storage Capacity:** Does
23 Nalcor use the enterprise storage capacity to be upgraded and, if
24 so, what upgrade expenditures are assigned to Nalcor?
- 25 **IC-NLH-24** **Project D-195, Upgrade Server Technology Program:** Does
26 Nalcor use the server technology to be upgraded and, if so, what
27 upgrade expenditures are assigned to Nalcor?
- 28 **IC-NLH-25** **Project D-208, Perform Minor Application Enhancements:** Does
29 Nalcor use the computer applications to be enhanced and, if so,
30 what enhancement expenditures are assigned to Nalcor?
- 31 **IC-NLH-26** **Project D-210, Upgrade Computer Room:** Does Nalcor use the
32 computer servers housed in this computer room and, if so, what
33 upgrade expenditures are assigned to Nalcor?

DATED at St. John's, this ^{7th} day of September, 2011.

POOLE ALTHOUSE

Per: 
 for _____
 Dean A. Porter

STEWART MCKELVEY

Per: 

 Paul L. Coxworthy

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

Attention: Board Secretary

TO: Newfoundland & Labrador Hydro
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 St. John's, NL A1B 4K7

Attention: Geoffrey P. Young,
 Senior Legal Counsel

TO: Thomas Johnson, Consumer Advocate
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TO: Newfoundland Power Inc.
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Attention: Gerard Hayes,
 Senior Legal Counsel