

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

**IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro, pursuant to section 68 of the Act, for the approval of changes in depreciation methodology and asset service lives.

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**Requests for Information by  
Newfoundland Power Inc.**

**To: Jacob Pous  
Witness for the Consumer Advocate**

**NP-CA-1 to NP-CA-15**

**October 5, 2012**

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## Requests for Information

**Preamble:** Requests for Information NP-CA-1 through NP-CA-7

Section 17 (1) (a) of the *Hydro Corporation Act* provides that:

17. (1) The corporation [Hydro] shall

- (a) adopt and maintain the depreciation and amortization policies of the corporation that have been recommended by the Board of Commissioners of Public Utilities and that are reflected in the audited financial statements of the corporation for the year ended December 31, 1994;...

until the Board of Commissioners of Public Utilities otherwise orders under the *Public Utilities Act*.

In Order No. P.U.7 (2002 – 2003), the Board accepted an update of a 1986 Depreciation Policy Study for Hydro as appropriate.

**NP-CA-1** Did Mr. Pous consider Section 17 (1) of the *Hydro Corporation Act* in preparing his Direct Testimony in this proceeding?

**NP-CA-2** Did Mr. Pous consider Order No. P.U.7 (2002 – 2003) in preparing his Direct Testimony in this proceeding?

**NP-CA-3** Page 16, lines 1 to 7.

Does s. 17 (1) (a) of the *Hydro Corporation Act* and Order No. P.U.7 (2002 – 2003) justify Hydro's current depreciation practices? If not, why not?

**NP-CA-4** Page 18, lines 1 to 8.

If the Board specifically considered Hydro's estimates of depreciation expense, including the reasonableness of the interest rates used in calculating sinking fund depreciation prior to approving the estimates, does this provide some validity for the current situation? If not, why not?

**NP-CA-5** Page 18, lines 1 to 8.

If the Board has effectively approved Hydro's current depreciation practices by Order No. P.U.7 (2002 – 2003), does this provide some validity for the current situation? Please fully explain your response.

**NP-CA-6** Page 13, lines 3 to 8 and Page 18, lines 19 to 29.

If the Board has approved Hydro's current depreciation practices, is it fair to assume that the annual depreciation accruals recovered by Hydro to date in rates are appropriate? If not, why not?

**NP-CA-7** Page 19, lines 9 to 16 and Page 31, lines 1 to 13.

Mr. Pous indicates that the appropriate corrective action associated with Hydro's historical sinking fund practices is to restate the depreciation reserve which would, in effect, *reduce* Hydro's rate base. Mr. Pous also indicates that Hydro's annual depreciation expense should be reduced by \$3,104,518 which would, in effect, *increase* Hydro's rate base from what it otherwise would be.

Please explain in full why these two recommendations should not be viewed by the Board as contradictory.

**NP-CA-8** Page 19, line 29 to Page 20, line 20.

Mr. Pous indicates "...the Board should order Hydro to investigate and present alternatives in a future proceeding as solutions to this problem. Those alternatives can be analyzed and judged on their merit and a more informed decision can be made at the time."

Given that this proceeding is concerned specifically with Hydro's depreciation methodology, is it not most appropriate to consider these matters as part of this proceeding? If not, please fully explain why it is inappropriate for these matters to be fully dealt with as part of a depreciation methodology proceeding.

**NP-CA-9** Page 19, lines 14 to 16.

Please provide all examples within Mr. Pous' knowledge or experience where a regulator has decided to restate a utilities depreciation reserve. Please include copies of all regulatory orders referred to in the response.

**NP-CA-10** Page 19, lines 14 to 16.

How does Mr. Pous expect that restating Hydro's depreciation reserve will impact (i) Hydro and (ii) Hydro customers?

**NP-CA-11** Page 31, lines 1 to 13.

The majority of the asset groupings reviewed by Mr. Pous have (i) long life expectancies and (ii) little, if any, recorded retirement activity. Please explain in full the statistical significance of the lack of retirement activity in these asset groups which are comprised of a small number of large assets with long life expectancies.

**NP-CA-12** Page 31, lines 1 to 13.

Did Mr. Pous review any accounts other than those for which he recommends adjustments? If so, please provide the results of this review together with full supporting documentation.

**NP-CA-13** Page 31, lines 1 to 13.

Please explain in full why Mr. Pous believes that it is appropriate to recommend adjustments to these 10 accounts without providing the Board a full review which includes Hydro's remaining accounts?

**NP-CA-14** Page 31, lines 1 to 13 and Page 35, lines 13 to 18.

How specifically has Mr. Pous considered the input from operational staff in his review of each of the 10 accounts listed at page 31? Please provide full supporting documentation indicating the extent, if any, of this consideration.

**NP-CA-15** Page 36, lines 12 to 14.

Please provide full particulars of each and every instance where "....Hydro's personnel provided input to recent prior life estimate that are now in significant conflict with current operations staff expectations."

**RESPECTFULLY SUBMITTED** at St. John's, Newfoundland and Labrador, this 5<sup>th</sup> day of October, 2012.



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