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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

1 Assuming Scotiabank's calculation of the benefit at
2 35.6 bps to 47.8 bps on long-term debt is accurate,
3 please provide a calculation of the Debt Guarantee
4 Fee that would apply if the benefit of the guarantee in
5 respect of long-term debt was similarly shared within
6 the range of 79/21 to 76/24 government/ratepayers.
7 Please also provide a dollar value impact on the
8 amounts payable to government as a result of
9 adopting this approach. How much would Hydro's
10 revenue requirements be affected?

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

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

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

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

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

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

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

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

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

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

13 Please indicate if Dr. Wilson reviewed the evidence of
14 Hydro that Island Industrial load has declined from
15 1,388 GW.h in 2001, to 894 GW.h in the 2007 Test
16 Year, to a forecast 408 GW.h in the 2013 Test Year
17 (including the closure of 2 industrial operations):
18 Table 2.14, Section 2, page 2.35 of Hydro’s Evidence.
19 Please indicate if this supports Dr. Wilson’s view that
20 current price signals provide excessive price signals
21 to consume extra energy. Please indicate the degree
22 of industrial load that would exist on the island under
23 Dr. Wilson’s hypothetical efficient rate design.

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

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

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

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

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

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

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

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

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

1 Please indicate if Dr. Wilson has reviewed Hydro's
2 CDM Report 2013 filed as part of the Annual Return
3 circulated April 25, 2014, Table 7, page 11, which
4 indicates that life to date energy savings from CDM
5 total 7,287 MW.h, of which 2,769 MW.h is isolated
6 and 4,518 MW.h is interconnected, and further that of
7 the 4,518 MW.h of interconnected load savings, a full
8 3,337 MW.h is industrial CDM. Please indicate if the
9 information in the CDM Report changes Dr. Wilson's
10 conclusions regarding industrial participation in CDM.

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

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

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

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

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

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

1 **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”.

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

14 **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.

17 Please indicate if Dr. Wilson has reviewed Hydro’s
18 CDM Report 2013, filed as part of the Annual Return
19 circulated April 25, 2014, Table 8 page 12, which
20 indicates that life to date fuel cost savings from CDM
21 total \$1.043 million per year, of which \$562 million is
22 for isolated systems and only \$480,000 per year is for
23 the interconnected system. As industrials make up
24 5.7% of energy consumed on the interconnected
25 system, this would equate to \$27,000 in fuel cost
26 benefits to industrial customers. How does Dr. Wilson
27 reconcile a cost to industrials of \$205,000 per year to
28 pay for programming that yields only \$27,000 in fuel
29 cost benefits?

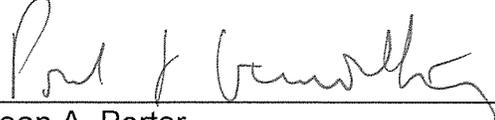
30 **IC-PUB-18**

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”.

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

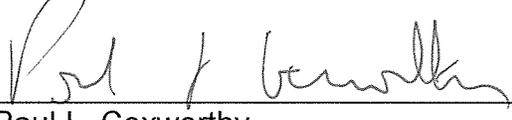
DATED at St. John's, in the Province of Newfoundland and Labrador, this 8th day of May, 2014.

POOLE ALTHOUSE

Per: 

Dean A. Porter

STEWART MCKELVEY

Per: 

Paul L. Coxworthy

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Attention: Board Secretary
- TO: Newfoundland & Labrador Hydro
P.O. Box 12400
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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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Attention: Stephanie Kearns / Senwung Luk

TO: House of Commons
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Ottawa, ON K1A 0A6
Attention: Yvonne Jones, Member of Parliament, Labrador