

October 16, 2014

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

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

Ladies & Gentlemen:

Re: **Newfoundland and Labrador Hydro - Application for approval of the deferral and recovery of expenses associated with the increased capacity-related supply costs on the Island Interconnected system in 2014**

Further to this Application, enclosed please find the original and 12 copies of:

1. Newfoundland Power's Intervenor's Submission; and
2. Requests for Information NP-NLH-001 to NP-NLH-021.

We trust the foregoing is found to be in order.

Yours very truly,



Peter Alteen, QC
Vice President
Regulation & Planning

Enclosures

c. Geoffrey Young
Newfoundland and Labrador Hydro

Thomas Johnson
O'Dea Earle Law Offices

Sheryl Nisenbaum
Praxair Canada Inc.

Paul Coxworthy
Stewart McKelvey Stirling Scales

Thomas O'Reilly, QC
Vale Newfoundland and Labrador Ltd.

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

AND IN THE MATTER OF an Application by Newfoundland and Labrador Hydro, pursuant to Sections 78 and 80 of the *Act*, for approval of the deferral and recovery of expenses associated with the increased capacity-related supply costs on the Island Interconnected System in 2014 (the “Application”).

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

NP-NLH-1 to NP-NLH-21

October 16th, 2014

Requests for Information

Reference: In Order No P.U. 29 (2014) for Hydro’s 2014 Capital Budget Supplemental Application – Sunnyside Replacement Equipment, the Board stated:

“WHEREAS the Board is satisfied that the proposed 2014 and 2015 capital expenditures should be approved but finds that, as the events and circumstances surrounding the Sunnyside T1 transformer failure are currently under review as part of the Board's ongoing Investigation and Hearing into the Supply Issues and Power Outages on the Island Interconnected System, no determination will be made at this time as to how the costs of the proposed work should be treated from a regulatory perspective; and...”

NP-NLH-001 In light of this, please explain in detail why Hydro believes the Board should address deferral and recovery of expenses associated with the increased capacity-related supply costs in 2014 before Phase I of the ongoing Investigation has concluded.

Reference: Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 1, Lines 2-4.

NP-NLH-002 Please describe the causes of the capacity constraints in January, February, and March of 2014 and indicate whether or not Hydro believes the capacity constraints could have been prevented.

Reference: Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 1, Lines 4-6.

NP-NLH-003 Please confirm that the customer loads experienced during the January 2-8, 2014 period were within a reasonable range of what Hydro would have expected for the 2013-2014 winter season. If Hydro is unable to confirm this, please explain in detail why.

Reference: Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 2, Table 1.

NP-NLH-004 Please provide a table that shows the hours of the day when CBPP was providing capacity assistance for each of January, 1, 2, 4, 6, 8, and 10, February 4 and March 5.

Reference: **Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 2, Table 1.**

NP-NLH-005 Please provide a table that shows which of Hydro’s plants were available but not in operation for each time that CBPP was providing capacity assistance.

Reference: **Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 2, Table 1.**

NP-NLH-006 Please provide a table that shows the Gas Turbine and Diesels costs for January, February, and March of 2014 including the following details: (i) the plants that were operated, (ii) the costs associated with each plant, and (iii) the times and dates that each plant was in service.

Reference: **Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 2, Table 1.**

NP-NLH-007 Please complete the following table.

| Generation – Gas Turbines and Diesels (\$000s) | | | | |
|---|----------------|-----------------|--------------|--------------|
| Year | January | February | March | Total |
| 2014 | 2,235 | 2,074 | 1,224 | 5,533 |
| 2013 | | | | |
| 2012 | | | | |
| 2011 | | | | |
| 2010 | | | | |
| 2009 | | | | |

Reference: **Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Page 2, Table 1.**

NP-NLH-008 Please provide a table that shows the costs related to capacity constraints that are associated with each of (i) the lack of available Hydro generation capacity to meet customer demand and (ii) equipment failures on Hydro’s bulk transmission system.

Reference: **Evidence – Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, page 3, Lines 17-19.**

NP-NLH-009 Please describe the specific capacity constraints that led to Hydro having to require capacity assistance from CBPP on February 4 and March 5 of 2014.

| | |
|-------------------|--|
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, page 4, lines 2-4. |
| NP-NLH-010 | Please confirm that capacity constraints experienced in the winter of 2013-2014 were as a result of either, or both, of (i) Hydro's generating assets being unavailable and/or (ii) failure of Hydro owned equipment. If Hydro is unable to confirm this, please explain in detail why. |
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, page 4, lines 18-21. |
| NP-NLH-011 | Please describe each circumstance where Hydro has been granted deferrals and/or cost recovery for gas turbine and diesel generation costs. |
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, page 7, lines 9-15. |
| NP-NLH-012 | Please provide a list of applications Hydro intends to file for the remainder of 2014. |
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, page 7, lines 9-15. |
| NP-NLH-013 | Please explain why Hydro has chosen to request deferred recovery of costs in this application and provide a proposal for recovery of other costs (such as consulting and legal costs related to the Board's Inquiry) in a separate future application. Please specifically address the issue of regulatory efficiency in the response. |
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Appendix B |
| NP-NLH-014 | Does Appendix B include the financial effects of the other applications that Hydro intends to file in the remainder of 2014? If not, please provide a revised Appendix B which includes these effects. |
| Reference: | Evidence - Application for Deferral and Recovery of 2014 Capacity-Related Supply Costs, Appendix A, Jan-14 |
| NP-NLH-015 | Please explain how there were a total of ten 4-hour blocks on January 2, 2014 and fifteen 4-hour blocks on January 4, 2014. |

Reference: The Board's Interim Report, Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System, May 15, 2014, Page i.

"The Board is able to conclude at this stage that the following caused or contributed to the outages:

- *Hydro's deferral of scheduled preventive maintenance and testing of key transmission system equipment, including the 2013 scheduled and recommended testing and maintenance on the transformer and circuit breaker at Sunnyside, which failed.*
- *Hydro's failure to properly execute repairs and maintenance.*
- *Hydro's failure to ensure the availability of qualified resources and vendor support.*
- *Hydro's failure to procure critical spare parts for its generation assets.*
- *Hydro's decisions on timing of generation asset repairs, notably the Hardwoods and Stephenville gas turbines."*

NP-NLH-016 Please describe in detail the impact each of these causes or contributing factors identified by the Board had on (i) the need to pursue an interruptible arrangement with CBPP and (ii) the need to use additional diesel and gas turbine generation.

Reference: The Board's Interim Report, Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System, May 15, 2014, Page 15.

"Liberty found that Hydro was slow in implementing the required steps to allow for maintaining full steam flow during the Unit 2 control valve failure. An inability to obtain software vendor support over the holiday period also complicated repair efforts for Unit 2. There was also no spare motor available for the forced draft fan at Unit 3 and, even with an expedited repair, Hydro was not able to bring Unit 3 fully back on-line until January 12. According to Liberty the de-rating of the two units at the Holyrood Thermal Generating Station in late December may have been avoided or minimized."

NP-NLH-017 Please indicate the reduced capacity that would have been required from the interruptible arrangement with CBPP in January if these events associated with Units 2 and 3 at Holyrood were (i) avoided or (ii) minimized.

Reference: The Board's Interim Report, Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System, May 15, 2014, Page 15.

“Hydro acknowledges that the Unit 3 forced draft fan motor failure contributed significantly to the duration and extent of some of the rotating outages. Hydro notes that the forced draft fan motors are subject to physical and operational aging and there was no spare motor at the station.

Hydro explains that:

A spare 4 kV FD motor had been suggested for procurement consideration in the 2011 Holyrood condition assessment. It was examined, costed and submitted as part of the 2012 capital approval process, but was not pursued further based on Hydro's capital prioritization process. The subsequent year, it was determined not to be a capital item and did not proceed further.”

NP-NLH-018 Please indicate the reduced capacity that would have been required from the interruptible arrangement with CBPP in January if a spare 4 kV FD motor had procured prior to December 1, 2013.

Reference: At page 5 of Order No. P.U. 39(2014) in relation to Newfoundland and Labrador Hydro - Second Application for the Interim Approval of Customer Electricity Rates for 2014, the Board stated:

“Hydro further explains that its 2014 financial outlook has changed materially since the filing of the general rate application forecast, noting that additional supply costs of \$10 million were incurred in the first quarter of 2014, Hydro also states that it will incur additional costs in 2014 associated with the Board's ongoing review of the Island Interconnected System supply issues and power outages. Hydro submits that the Application demonstrates its requirement for additional revenue in 2014 and balances the objectives of reasonable cost recovery and customer impacts.”

And at page 11, the Board indicated:

“...the approval of interim relief in advance of the conclusion of a general rate application is an extraordinary measure which must be fully justified in the circumstances. Hydro now advises that its 2014 financial outlook has changed materially since the filing of the general rate application and that it plans to file an amended general rate application with updated forecasts. The Board finds that it is not clear that the evidence filed reflects Hydro's financial circumstances for 2014

and further that the evidence does not adequately address customer impacts. Hydro has failed to provide a reasonable evidentiary basis consistent with good utility practice to justify the proposed revenue transfer.”

NP-NLH-019 Please describe how the application for deferral and recovery of expenses associated with the increased capacity-related supply costs is materially different from the financial relief sought by Hydro in its Second Interim Rates Application.

Reference: At page 5 of Order No. P.U. 39(2014) in relation to Newfoundland and Labrador Hydro - Second Application for the Interim Approval of Customer Electricity Rates for 2014, the Board stated:

“Hydro further explains that its 2014 financial outlook has changed materially since the filing of the general rate application forecast, noting that additional supply costs of \$10 million were incurred in the first quarter of 2014, Hydro also states that it will incur additional costs in 2014 associated with the Board's ongoing review of the Island Interconnected System supply issues and power outages. Hydro submits that the Application demonstrates its requirement for additional revenue in 2014 and balances the objectives of reasonable cost recovery and customer impacts.”

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“...the approval of interim relief in advance of the conclusion of a general rate application is an extraordinary measure which must be fully justified in the circumstances. Hydro now advises that its 2014 financial outlook has changed materially since the filing of the general rate application and that it plans to file an amended general rate application with updated forecasts. The Board finds that it is not clear that the evidence filed reflects Hydro's financial circumstances for 2014 and further that the evidence does not adequately address customer impacts. Hydro has failed to provide a reasonable evidentiary basis consistent with good utility practice to justify the proposed revenue transfer.”

NP-NLH-020 Please explain how the evidence for Hydro’s 2014 financial outlook, particularly that presented in Appendix B, is clearer than that the evidence presented in Hydro’s Second Interim Rates Application.

Reference: At page 5 of Order No. P.U. 39(2014) in relation to Newfoundland and Labrador Hydro - Second Application for the Interim Approval of Customer Electricity Rates for 2014, the Board stated:

“Hydro further explains that its 2014 financial outlook has changed materially since the filing of the general rate application forecast, noting that additional supply costs of \$10 million were incurred in the first quarter of 2014, Hydro also states that it will incur additional costs in 2014 associated with the Board's ongoing review of the Island Interconnected System supply issues and power outages. Hydro submits that the Application demonstrates its requirement for additional revenue in 2014 and balances the objectives of reasonable cost recovery and customer impacts.”

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NP-NLH-021

Please describe how the evidence filed in support of the Application addresses customer impacts.

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 16th day of October, 2014.



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