

July 16, 2007

Consumer Advocate RFIs for Newfoundland Power

CA-NP-423 The Quarterly Regulatory Report for the Period ending March 31, 2007 (page 6) states that NP employs a peak load management strategy which includes voltage optimization and load curtailment in an attempt to reduce peak demand. The peak load management strategy was implemented on four occasions during the 2006/2007 winter period from December 1st to March 31st. Peak demand for the 2006/2007 winter period occurred on December 29th, 2006. Implementation of the peak load management strategy on that date reduced peak demand below plan by approximately 23 MW. Please provide a detailed list of activities undertaken on each of these four occasions identifying the contribution of each to the reduction in peak. What was the value of the 23 MW reduction on December 29, 2006 to the system?

CA-NP 424 With regard to dispatch of the Curtailable Service Option, please provide a table showing the following for each of the past five years: date of dispatch, time of dispatch, time of recall, amount of load dispatched, and reason for dispatch including whether NP- or Hydro-initiated. Please also show the NP peak demand at the time of dispatch, and the NP peak demand for the particular year.

CA-NP 425 With regard to NP thermal generation, please provide a table showing the following for each of the past five years: date of dispatch, time of dispatch, time of recall, amount of generation dispatched, and reason for dispatch including whether NP- or Hydro-initiated. Please also show the NP peak demand at the time of dispatch, and the NP peak demand for the particular year.

CA-NP 426 In the 2006 Annual Report (page 6), it is stated “For the past 10 years, customer satisfaction surveys have placed our Company near the top of industry rankings for overall customer service.” Please provide the supporting documentation for this statement.

CA-NP 427 In the 2006 Annual Report (page 8), it is stated “We decreased the length of outages by 12% compared to the previous year. For our customers, that meant our electricity system was operating successfully and delivering their power 99.96% of the time in 2006.” What is NP’s target performance in this regard, how much will it improve service to customers in terms of number and duration of outages and how much will it cost consumers?

CA-NP 428 In the 2006 Annual Report (page 30), it is stated “Newfoundland Power’s strategy and vision to be a leader among North American electricity utilities in terms of customer service, reliability and efficiency remains unchanged.” Please provide all support for this strategy and vision documented in reports and applications before the Board.

CA-NP 429 In the Fortis Inc. 2004 Annual Report (page 12), it is stated “During 2004, customers experienced, on average, 1.95 hours of interrupted service, marking the eleventh consecutive year that the Company’s system reliability has exceeded the benchmark established under the former Maritime Electric Company Limited Regulation Act.” What is the basis upon which this benchmark was established, and is such an approach appropriate for use by NP?

CA-NP 430 In the Fortis Inc. 2005 Annual Report (page 18), it is stated “In a national Public Attitudes Survey conducted by the Canadian

Electricity Association in 2005, the Company ranked as one of the top 5 performing electrical utilities in Canada. Performance was ranked for customer satisfaction, staff courtesy, service issues, public safety, power quality and billing accuracy.” How did NP rank in this survey? Please provide specific details of the performance areas measured, in particular, those relating to service issues, power quality and billing accuracy.

CA-NP 431 In the Fortis Inc. 2005 Annual Report (page 22), it is stated “As a result of these organizational efforts, response time to trouble calls improved by 7 per cent over 2004 and FortisAlberta was within its service-level agreements 99 per cent of the time.” Please provide a copy of the service level agreements.

CA-NP 432 In the Fortis Inc. 2006 Annual Report (page 22), it is stated “The Company once again exceeded performance standards set by the Ontario Energy Board (“OEB”) with respect to response times, service connections and telephone response statistics.” What are these performance standards and on what basis were they established?

CA-NP 433 (response to CA-NP 249) Please provide a cross-subsidy analysis of electric heat and non-electric heating customers on the basis of marginal supply costs. Please provide details of the calculation.

CA-NP 434 (response to CA-NP 14) How does NP decide if the next increment of cost to improve reliability is of value to consumers? Please provide an actual example.

CA-NP 435 (response to CA-NP 65) “The Quality of Service Report clearly indicated to the Board and Newfoundland Power that the Company

should seek to improve its reliability performance. In response to this, Newfoundland Power has undertaken a number of initiatives to improve its reliability performance and associated reporting.” Please provide the program that NP has implemented in order to address its poor reliability performance including schedule, milestones, reliability targets and costs. When does NP believe that its reliability performance will be acceptable and on what basis will performance be judged acceptable?

CA-NP 436

(response to CA-NP 65) “Based upon the limited information provided it appears that reliability performance for the two utilities is similar”, and “It appears to Newfoundland Power that the development of the Delaware Standard was a specific and considered regulatory response to a perceived risk (i.e., underinvestment) to distribution reliability which resulted from industry restructuring in the State of Delaware.” Given that NP performance is similar to Delaware, are additional expenditures by NP to improve reliability performance justified? Does NP believe that there is a point at which additional expenditures on reliability improvements may exceed the value consumers place on improved reliability or does NP have information that its customers are willing to spend any amount for reliability improvement? If so, please provide the information.

CA-NP 437

(response to CA-NP 67) “Benchmarking comparisons are not used directly by Newfoundland Power in the development of its capital and operations and maintenance budgets principally because data of other utilities does not relate to the Newfoundland Power electrical system. However, engineering practices of which the Company does become aware (whether through benchmarking comparisons or otherwise) may influence the Company’s practices

and, indirectly, its budgets.” Please provide specific examples of how benchmarking has influenced the Company’s practices and, indirectly, its budgets.

CA-NP 438 (response to CA-NP 69) “The DRI is not being abandoned. The DRI continues to play an important role in meeting the Company’s obligation as set out in the Electric Power Control Act, 1994 to equitably deliver power to customers in the province at the lowest possible cost consistent with reliable service.” Please provide the forecast annual costs of the DRI for 2008 through 2011 along with the justification for these expenditures including quantification of the benefits to consumers and proof that the DRI is indeed consistent with delivering power at the lowest possible cost consistent with reliable service.

CA-NP 439 (response to CA-NP 82) Why does NP not track customer complaints?

CA-NP 440 (response to CA-NP 82) “the Company endeavors to energize new services within three to five working days of receipt of the electrical inspection authorization from the City of St. John’s, or the provincial government, as the case may be.” How successful has NP been in this regard?

CA-NP 441 (response to CA-NP 312) “The report was circulated to the Company’s Vice Presidents for review prior to submission to the Board.” Please provide all comments provided by the Vice Presidents.

CA-NP 442 (response to CA-NP 20) What are the disadvantages of the regulatory mechanisms currently practiced by NP?

CA-NP 443 (response to CA-NP 23) “The Company believes a number of policy issues should be addressed before the Board before implementation of alternative rate designs.” Please define the policy mechanisms that should be addressed by the Board and the process by which these policies will be presented and reviewed by the Board.

CA-NP 444 (response to CA-NP 217) “If the marginal contribution shortfall beyond 2008 were zero, all revenue related to increased sales would be required to recover the supply cost from Hydro. None of the revenue from additional sales would be available to recover increases in the Company’s other costs of providing service. These would include the cost of connecting new customers, the cost of replacing aging plant, and cost increases in salary and benefits and other inflationary pressures. If increased sales were to provide no revenue to offset these costs, this could also be expected to result in increased frequency of rate cases.”

- (a) Is the purpose of the Energy Supply Cost Variance to recover all NP costs related to increased sales?
- (b) Does the proposed regulatory mechanism accurately reflect the increased costs NP experiences owing to increased sales? Please provide proof based on historical experience.
- (c) Are there any disadvantages relating to implementation of this regulatory mechanism? For example, does it have the potential to reduce NP’s incentive to reduce its costs and improve efficiency?
- (d) Is this regulatory mechanism in effect a single-issue item that allows NP to increase costs while other costs may actually be decreasing?

- (e) With NP's current and proposed regulatory mechanisms in place, will there ever be a need for another rate application? What factors might prompt NP to file another rate application?
- (f) Please provide a list of regulated distribution companies that have such regulatory mechanisms in place along with a detailed description of the mechanism.

CA-NP 445 (response to CA-NP 228) "Based on the historic variability of its weather normalized peak demand, Newfoundland Power estimates that, in most years, the weather normalized native peak will be within $\pm 4\%$ of forecast." Is it correct to say that NP plans its system on the basis of a potential load forecast error of $\pm 4\%$ about its forecast of roughly 1% annual load growth?

CA-NP 446 (response to CA-NP 238) "In Newfoundland Power's view, given the high diversity of customer load profiles in these classes and the high current marginal cost of energy, any proposed rate structure developed would necessarily compromise intra-class fairness in favor of the economic efficiency which results from pricing the tail block to reflect marginal costs." Please provide support for this view with examples.


CA-NP 447 (response to CA-NP 244) "Reducing the number of rate classes increases the likelihood that customers with significantly different cost characteristics are included in the same class. In general, the fewer the number of rate classes the greater the likelihood of cross-subsidization within the classes." Did NP consider increasing the number of rate classes?

CA-NP 448 (response to CA-NP 238) Please provide rates based on a Hopkinson rate structure for General Service Rates 2.2 and 2.3. Provide rates that in NP's view best meet the overall rate design

objectives under a Hopkinson rate structure and show the rate impacts on customers within each class.

Dated at St. John's in the Province of Newfoundland and Labrador this 16th day of July, 2007:



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