Office of the Consumer Advocate

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August 20, 2021

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon, Director of Corporate Services / Board Secretary

Dear Ms. Blundon:

Re: Newfoundland Power's 2022 Capital Budget Application

In light of certain NP responses to RFIs and the expert evidence provided by Elenchus Research Associates Inc., the Consumer Advocate requires additional information to be placed on the record in order to properly represent the interests of ratepayers in the NP 2022 CBA. Accordingly, attached are additional RFIs (CA-NP-117 to CA-NP175) to which the Consumer Advocate asks that NP provide responses.

The Consumer Advocate also asks that the Board make modifications to the NP 2022 CBA schedule so as to enable NP to provide responses to the attached RFIs.

Yours truly,

Bernard Coffey, Q.C.
Counsel to the Consumer Advocate

/bb

cc

Newfoundland & Labrador Hydro
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Board of Commissioners of Public Utilities
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IN THE MATTER OF
the *Public Utilities Act,* (the *"Act")*;

AND

IN THE MATTER OF
capital expenditures and rate base of
Newfoundland Power Inc.;

AND

IN THE MATTER OF
an application by Newfoundland Power Inc. for
an order pursuant to Sections 41 and 78 of the Act:
(a) approving a 2022 Capital Budget of $109,651,000;
(b) approving certain capital expenditures related
to multi-year projects commencing in 2022; and
(c) fixing and determining a 2020 rate base of $1,181,897,000.

CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NP-117 to CA-NP-175

Issued: August 20, 2021

CA-NP-117 (Reference CA-NP-001, lines 4-6) The Board did not approve the addition of a second 2.5 MW portable diesel generator at a cost of $1,700,000.00. Please provide the consequences of this decision by the Board not to approve the addition of this second portable diesel generator. How many similar portable diesel generators does Newfoundland Power now have? Please provide details as to their actual hours of usage, the reasons for the usage and the location of the usage for the period 2015-current.

CA-NP-118 (Reference CA-NP-004) Please confirm that Newfoundland Power believes that it would be unable to meet its mandate if even a single dollar of its proposed 2022 capital budget is not approved by the Board.

CA-NP-119 (Reference CA-NP-001 and CA-NP-004)

a) Please show how Newfoundland Power failed to meet its mandate in 2003 and 2004 when the Board approved capital budget amounts of $0.5 million and $1.7 million, respectively, less than the proposed amounts.

b) Please show how during the cod moratorium in the early 1990s Newfoundland Power was unable to meet its mandate owing to spending cuts to its capital budget (CA-NP-004 from NP 2021 CBA).

CA-NP-120 (Reference CA-NP-004, lines 14-16) Is Newfoundland Power familiar with the Midgard argument that a capital budget envelope is not a cap on capital expenditures? Please provide Midgard's explanation why they are proposing a budget envelope and not a budget cap.

CA-NP-121 (Reference CA-NP-006) Would not the executives of Newfoundland Power as shareholders of Fortis have received the Fortis notice of the Annual Meeting of Shareholders and information and circulars provided to shareholders from time to time?

CA-NP-122 (Reference CA-NP-008) Is Newfoundland Power familiar with capital budget prioritization practices of other Canadian utilities; i.e., NL Hydro? Is Newfoundland Power familiar with any requirements of other regulators that capital budgets be prioritized?

CA-NP-123 (Reference CA-NP-008) It is stated "*Newfoundland Power is required to provide reliable, least cost service to its customers under all economic conditions.*"

a) Does a private sector entity operating in a competitive market need to take the economy and its impact on customers into consideration or otherwise risk going out of business? If not, why not?

b) Is a purpose of regulation to replicate the effects of a competitive market in markets where competition does not exist? If not, why not?

c) Is it the responsibility of the Board rather than Newfoundland Power to ensure the economic climate in the Province and its impact on electricity consumers is taken into consideration? If not, why not?

d) Is it the responsibility of the Board rather than Newfoundland Power to ensure electricity customers are protected from monopolistic pricing practices? If not, why not?

e) Is it the responsibility of the Board to ensure the regulatory regime is in fact reflecting what would happen in a competitive market? If not, why not?

CA-NP-124 (Reference CA-NP-008) Please reconcile the response to CA-NP-005 relating to Newfoundland Power's 2021 Capital Budget Application which states "*Newfoundland Power does not currently employ a methodology for prioritizing capital expenditures*" with the response to CA-NP-008 which states "*Newfoundland Power employed a prioritization process for its 2022 Capital Budget Application.*" Is project prioritization something that Newfoundland Power initiated for the 2022 CBA?

CA-NP-125 (Reference CA-NP-010) Please confirm that Newfoundland Power does not intend to implement any of Midgard's recommendations in its CBAs until the Board forces it to by incorporating Midgard recommendations in the Capital Budget Guidelines.

CA-NP-126 (Reference CA-NP-012) It is stated that benchmarking in the 2022 CBA includes "*A comparison of changes in Newfoundland Power's investment in Transmission and Distribution ("T&D") assets over the period 2010 to 2019.*" This comparison is shown in Table 5, page 14 of the 2022 Capital Plan and compares capital investment in property plant and equipment – T&D.

(a) Specifically, what are these figures and why are they relevant to this comparison?

(b) Is Newfoundland Power a transmission and distribution company? What percentage of Newfoundland Power's $1424 million T&D investment in 2019 is related to transmission? What percentage of Newfoundland Power's $1424 million T&D investment is under the control of the NLSO? What percentage of Newfoundland Power's rate base is related to transmission?

(c) Similar to part (b) of this RFI, what percentage of the $1774 million T&D investment for Nova Scotia Power, Maritime Electric and NB Power is related to transmission?

(d) Provide a breakdown of the $1166 million in 2010 and $1774 million in 2019 for each of Nova Scotia Power, NB Power and Maritime Electric showing amounts for transmission and distribution separately.

CA-NP-127 (Reference CA-NP-014) When asked to provide its definition of reliable service it is stated "*Newfoundland Power defines its current service delivery as reliable*." The response goes on to quote a Board consultant who recommended that Newfoundland Power "*seek to improve the service reliability experienced by its customers*".

a) Given that current service is reliable, why is Newfoundland Power pursuing reliability improvement programs such as the distribution reliability initiative?

b) How is it possible to determine if Newfoundland Power is providing reliable service at lowest cost when it defines reliable service as "*its current service delivery*"? How does Newfoundland Power know that service reliability will be the same going forward if the Board approves the 2022 CBA? How much would service reliability deteriorate if the Board approved only costs for unforeseen events in 2022?

c) In Newfoundland Power's opinion do NB Power, Maritime Electric and Nova Scotia Power need to improve their service reliability, or is it possible that customers of these utilities are satisfied with current levels of reliability and are not willing to pay more for reliability improvements? Is Newfoundland Power suggesting that these utilities, and NL Hydro for that matter, are not meeting their mandates and need to improve reliability performance to SAIDI and SAIFI levels that Newfoundland Power customers are experiencing?

d) Is Hydro's mandate similar to that of Newfoundland Power?

e) Is it possible to have different interpretations of Newfoundland Power's mandate? Please explain.

f) Could Newfoundland Power meet its mandate if it had SAIDI and SAIFI levels similar to those of the other Canadian Atlantic provinces, and NL Hydro for that matter, if customer satisfaction remained at, or near, current levels?

g) Could Newfoundland Power meet its mandate if it had poorer SAIDI and SAIFI performance than today provided customers indicated a preference for reduced reliability in exchange for lower rates?

h) Did the Board's consultant say in 1998 how much reliability should be improved and at what cost? Did the Board's consultant consider customer willingness to pay for reliability improvements? If so, please provide all references in the consultant's report.

i) Why does Newfoundland Power believe the recommendation of a Board consultant made 23 years ago is relevant today, but does not believe recommendations made only months ago by the Board's consultant Midgard are not worthy of incorporation in the 2022 CBA (CA-NP-010)?

CA-NP-128 (Reference CA-NP-014, lines 21-24) The company references risk-based criteria when undertaking capital projects. Please provide a list of the criteria and a definition of risk as referenced therein.

CA-NP-129 (Reference CA-NP-018, lines 30-34) Please provide details and quantify the reduction or elimination of manual processes as stated therein.

CA-NP-130 (Reference CA-NP-034) It is stated that about 86,000 customers had worse SAIDIs than the average and about 101,000 customers had worse SAIFIs than the average.

a) How many customers had inferior service reliability to the company average with respect to both SAIDI and SAIFI?
b) Can Newfoundland Power meet its mandate when so many of its customers are experiencing inferior service reliability compared to the company average? Please explain.
c) Is the distribution reliability initiative influenced in any way by the desire to maintain a constant work force?

CA-NP-131 (Reference CA-NP-036) Please explain why Newfoundland Power tracks the number of customer contacts by feeder but does not categorize the reasons for the contact. What percentage of customer contacts overall (including all feeders) relate to reliability? Please provide all data used to make the calculation.

CA-NP-132 (Reference CA-NP-038) It is stated "*The 2022 Distribution Feeder Automation project involves the installation of 16 downline reclosers on 14 distribution feeders. These downline reclosers will allow the Company to maintain reliable service for customers without the assistance of field crews and will contribute to reduced time to identify the cause of outages.*" Given the benefits of this program, why were the reclosers not installed previously; i.e., last year or the year before? Please show how Newfoundland Power will meet its mandate in 2021 given that these reclosers have not already been installed.

CA-NP-133 (Reference CA-NP-040) Why should ratepayers bear any of the costs of what effectively is another business for Newfoundland Power pertaining to the electric vehicle charging network and studies related to same, and how are ratepayers being reimbursed for the utilization of Newfoundland Power personnel pursuing this issue and working on the same, for what is effectively another business for Fortis?

CA-NP-134 (Reference CA-NP-053) Please provide what leasing options Newfoundland Power has explored in order to acquire the replacement workforce management system. Is Newfoundland Power familiar with the leasing practices of utilities elsewhere and the utilization of leasing as a cost controlling measure? If leasing has not been evaluated as an option, why not?

CA-NP-135 (Reference CA-NP-055) Is it not true that EY in reference to the CSS replacement project did not assess the option of leasing, and provide information as to what leasing arrangements were out there as a cost controlling measure?

CA-NP-136 (Reference CA-NP-057, CA-NP-108) Please confirm that Newfoundland Power defines reliable service without any input from customers concerning their willingness to pay. Specifically, please confirm that Newfoundland Power: i) has no customer input on willingness to pay for current levels of service reliability, and ii) has no customer feedback on willingness to accept reduced levels of reliability in exchange for reduced rates. If such information exists, please file it for the record including relevant information gained by Hydro in its digital engagement initiative.

CA-NP-137 (Reference CA-NP-063) With respect to rates in Newfoundland Power's 2022-2023 GRA, please provide any elasticity studies undertaken by the company showing trends in electricity rates, and if the company has completed no elasticity studies, please explain why such studies are not relevant?

CA-NP-138 (Reference CA-NP-074) Have any projects that were approved by the Board in previous Newfoundland Power CBAs been deferred? If so, please provide a list of such projects along with the reasons why they were deferred.

CA-NP-139 (Reference CA-NP-076) Newfoundland Power's response indicates that the penstock will not be replaced with a woodstave penstock but by a penstock made of another material that will have an expected life of 80 years or more.

a) What is the cost of a woodstave penstock replacement, what is its expected service life and did Newfoundland Power consider using such a replacement?

b) What repair options did Newfoundland Power consider as alternatives to replacement?

c) If the work on Sandy Brook were to proceed as Newfoundland Power proposes, would that mean there would be no energy production from the plant in 2022 and 2023? How much would production be reduced and for how long?

d) Can the work (i.e., penstock and related capital expenditures) planned for 2022 and 2023 be deferred by two or three years after Muskrat Falls is commissioned and established as a reliable asset?

CA-NP-140 (Reference CA-NP-077) The capital costs of this project are given as $400,000 for 2022 and $4,694,000 for 2023. However, Sandy Brook Plant Economic Evaluation, Attachment A, page A-7, shows additional capital costs for the Sandy Brook Plant in those years resulting in total costs of $505,000 in 2022 and $6,586,000 in 2023.

a) Is Newfoundland Power seeking approval of these extra costs in its application?

b) Other than in Attachment A, where are these additional Sandy Brook costs identified in the Application?

CA-NP-141 (Reference CA-NP-077 and PUB-NP-077) Has Newfoundland Power investigated the implications of the province's access to Churchill Falls in 2041 as well as possible additions to Hydro's on-island capacity and energy additions between now and 2041 in relation to the future of its hydro and thermal generation facilities? If so, how is it planning for such events?

CA-NP-142 (Reference CA-NP-078) It is stated "*The replacement penstock will have a very low risk of failure.*" Please confirm that while the risk of failure is low, it is greater than zero, and the only way to reduce the risk to zero would be to remove the penstock and associated power production component of the plant.

CA-NP-143 (Reference CA-NP-085) Please confirm that while replacement of Click with a commercially available system will "*ensure Newfoundland Power continues to operate a system that is comparable to other Canadian utilities* ...", it is also expected to result in similar performance to other Canadian utilities which is stated to be 40% worse than Newfoundland Power's current restoration time for customer outages.

CA-NP-144 (Reference CA-NP-087) Operating cost savings are quantified for application enhancements and the LED Street Lighting replacement program. Are operating cost savings quantified for any other projects in the 2022 CBA? Why not?

CA-NP-145 (Reference CA-NP-092) Regarding the $70,000 expenditure for chargers for Newfoundland Power's EV fleet:

a) How many chargers would be purchased?

b) What types of chargers would be purchased?

c) What is the cost per charger?
d) How many chargers does Newfoundland Power currently have for its EV fleet and where are they located?
e) Where are Newfoundland Power's current EVs based?
f) At what buildings would the proposed new chargers be located?

CA-NP-146 (Reference CA-NP-102) Is it possible that Newfoundland Power's thermal generation, particularly those that are stationary, could become stranded owing to distributed energy resources and/or non-wires alternatives?

CA-NP-147 (Reference CA-NP-115) Please confirm or correct the following:
a) In the 10-year period from 2013 through 2023 (forecast), Newfoundland Power's capital budget has increased by 51% (from $80.8 million in 2013 to $122.3 million in 2023), average regulated rate base has increased by 41% (from $915.8 million in 2013 to $1289.9 million in 2023) and regulated earnings have increased by 43% (from $38.0 million in 2013 to $54.3 million in 2023).
b) In the 10-year period from 2013 through 2023 (forecast), the number of customers has increased by about 7% (from 255,618 in 2013 to 273,165 in 2023).
c) If the average annual increase over this period is extrapolated out 10 years to 2033, Newfoundland Power will be requesting $184.6 million in capital spending (4.2% average annual increase), have a rate base of $1820 million (3.5% average annual increase), and will have earnings of $77.7 million (3.65% average annual increase) while serving about 292,900 customers (0.7% average annual increase). Please prepare a graph showing these results starting in 2013 and extending out to 2033.

CA-NP-148 (Reference CA-NP-115) Please confirm or correct the following:
a) From 1996 through 2023 (forecast), Newfoundland Power's capital budget has increased by 295% (from $31.0 million in 1996 to $122.3 million in 2023), average regulated rate base has increased by 173% (from $473.1 million in 1996 to $1289.9 million in 2023) and regulated earnings have increased by 116% (from $25.1 million in 1996 to $54.3 million in 2023).
b) From 1996 through 2023 (forecast), the number of customers has increased by about 30% (from 210,161 in 1996 to 273,165 in 2023).
c) If the average annual increase over this period is extrapolated out 10 years, in 2033 Newfoundland Power will be requesting $203.0 million in capital spending (5.2% average annual increase), have a rate base of $1873 million (3.8% average annual increase), and will have earnings of $72.3 million (2.9% average annual increase) while serving about 301,744 customers (1.0% average annual increase).

Please prepare a graph showing these results starting in 1996 and extending out to 2033.

CA-NP-149 (Reference NLH-NP-004) Please provide information as to the service provider for Newfoundland Power's vehicles. Is it contracted out, and to whom, and on what basis?

CA-NP-150 (Reference NLH-NP-005, lines 28-38) Please provide the definition of what constitutes the company's worst performing feeders and how that is quantified and prioritized. Newfoundland Power does not consider the reliability of its distribution lines relative to a peer group as part of its distribution initiative. Why is that?

CA-NP-151 (Reference NLH-NP-005) How many customers will be impacted by the proposed work on the 2 km section of BCV-04 feeder and how much is their SAIDI and SAIFI expected to improve? How much will this work improve the overall system SAIDI and SAIFI?

CA-NP-152 (Reference NLH-NP-006) It is stated "*Newfoundland Power does not consider the reliability of its distribution lines relative to that of Hydro's rural customers as part of its Distribution Reliability Initiative*." Does Newfoundland Power consider the reliability of its distribution lines relative to Hydro's rural customers in any other respect? Why are Hydro reliability statistics not included in the comparison to other Atlantic Canadian Provinces? Does Newfoundland Power believe that its customers desire substantially improved service reliability over Hydro's customers, and if so, why?

CA-NP-153 (Reference NLH-NP-007) Please state the difference between Newfoundland Power's inspection of transmission lines and its maintenance practices in comparison with Hydro's inspection of transmission lines and its maintenance practices.

CA-NP-154 (Reference NLH-NP-008, line 8) Why does Newfoundland Power not test a portion of poles removed to build a condition assessment database as is Hydro's practice?

CA-NP-155 (Reference NLH-NP-011 and NLH-NP-012) Please confirm that there have been no reliability events owing to component failure and no corrective maintenance on line 94L over the past 5 years.

CA-NP-156 (Reference NLH-NP-013, 19) NP states that 64% of the company's transmission lines will be 40 years of age or older in 2021. Please provide a listing of these transmission lines, the age of each, and the criteria NP has in place in determining which lines need maintenance and which lines need replacement. What is the Canadian average pertaining to the age of transmission lines prior to the replacement of same?

CA-NP-157 (Reference NLH-NP-014 and the Sandy Brook Plant) Has the availability of surplus energy in 2041 from the Upper Churchill been a consideration in determinations for capital budget expenditures on NP plants? Should not all of these expenditures be placed on hold until the determination is made based on the resource and reliability issues and what will be required on the Island leading into 2041?

CA-NP-158 (Reference NLH-NP-020 and NLH-NP-021) Newfoundland Power indicates that the marginal costs of energy and capacity used in its Sandy Brook Plant Economic Evaluation are based on Hydro's estimates for 2022 to 2029, but for 2030 to 2071 are escalated according to forecasts of the GDP deflator.

a) Did Newfoundland Power consider the possible effects of capacity additions by Hydro after 2029; i.e., addition of another unit at Bay d'Espoir or gas turbines? Did Newfoundland Power consult Hydro in this regard?
b) Did Newfoundland Power consider the impact on marginal energy and capacity costs in 2041 and beyond, following the expiry of the Churchill Falls contract? What does Newfoundland Power expect that impact to be, and did Newfoundland Power consult Hydro in this regard? Is Newfoundland Power aware of changes in marginal energy and capacity costs owing to the Churchill Falls plant?
c) Did Newfoundland Power consider whether after 2029 new approaches/technology (i.e., time-of-use rates, distributed energy resources and energy efficiency) could have a substantial impact on marginal energy and capacity costs, and did it consult Hydro in this regard?
d) Does Newfoundland Power agree that additions to capacity can have a dramatic effect on marginal capacity costs so assuming that such costs rise with inflation in the long-run may be unrealistic?

CA-NP-159 (Reference NLH-NP-020 and NLH-NP-021) Regarding the marginal energy and capacity costs for 2022 to 2041:

a) Does Newfoundland Power agree that the figures show a high variability across a one-year period?
b) Does Newfoundland Power believe that the change in marginal cost from non-winter to winter peak within any one year is a result of inflation?
c) If Hydro, or any generator, faced such persistently high winter marginal capacity costs, wouldn't those high costs provide an

incentive for it to invest in additional generation? How would a significant addition to generating capacity affect marginal capacity cost assuming no corresponding increase in peak demand?

CA-NP-160 (Reference NLH-NP-020 and NLH-NP-021) Please confirm the scenario in which the Sandy Brook plant is treated as "*fully dispatchable*" does not correspond to the way the plant has normally operated. Please confirm that the "*run of river*" scenario corresponds to the normal pattern of production from the Sandy Brook plant.

CA-NP-161 (Reference NLH-NP-020 and NLH-NP-021, page A-13 of Application) Please calculate the levelized cost of plant production (described as "Levelized Rev Rqmt" in the table on page A-13 of Application) assuming that the plant becomes stranded at the end of 2041 and production ceases thereafter.

CA-NP-162 (Reference NLH-NP-020 and NLH-NP-021, page A-14 of Application) Benefits are listed under "*Marginal Energy Costs*" for years that include 2023, 2034 and 2036 but these are years for which Attachment C shows there would be significant capital expenditures on the plant.

a) Would plant output in those years be affected or even halted for a time as the work is done?
b) If so, should not the marginal energy costs figures for those years be adjusted downward? If they have not been adjusted then please provide the revised figures.
c) Please calculate the levelized value of energy benefits (described as "*Levelized Value of Export Energy*" in the table on page A-14) assuming that the plant becomes stranded at the end of 2041 and production ceases thereafter. Please ensure any appropriate adjustment based on the response to (b) is incorporated in the calculation. Please provide the detailed calculations in an Excel file.

CA-NP-163 (Reference NLH-NP-020 and NLH-NP-021, page A-15 of Application) Benefits are listed under "*Marginal Capacity Cost*" for years that include 2023, 2034 and 2036 but these are years for which Attachment C shows there would be significant capital expenditures on the plant.

a) Would plant output in those years be affected or even halted for a time as the work is done?
b) If so, should not the marginal capacity cost figures for those years be adjusted downward? If they have not been adjusted then please provide the revised figures.
c) Please calculate the levelized value of capacity benefits (described as "*Levelized Value of Capacity*" in the table on page A-15) assuming that the plant becomes stranded at the end of 2041 and

production ceases thereafter. Please ensure any appropriate adjustment based on the response to (b) is incorporated in this calculation. Please provide the detailed calculations in an Excel file.

CA-NP-164 (Reference NLH-NP-027 and the cost basis for the estimate for the new technology service management solution) Has Newfoundland Power considered the shortage of supply due to the Covid economy prior to commencing this expenditure at this time? If there is short supply and consequent short-term increased costs, would it not be prudent to defer this expenditure until a post-Covid economy emerges?

CA-NP-165 (Reference NLH-NP-029) Please provide the cost estimates used in Newfoundland Power's analysis of the available new technology and explain how it has been impacted by the Covid-economy. Given the limited supply in technology at this time, should this project be deferred until the Covid-economy rebounds?

CA-NP-166 (Reference NLH-NP-038, line 28) NP makes reference to the company's total "*contribution*" to average customer rates. Please define what the company means by its "*contribution*" to average customer rates. Is this a direct shareholder financial contribution? If not, is this language not misleading and inappropriate in a regulatory proceeding?

CA-NP-167 (Reference NLH-NP-042, page 5 of 5, lines 8-10) Please provide details as to how the operation of five downline reclosures during a severe blizzard in January 2020 avoided approximately 3.5 million customer outage minutes without the assistance of field crews. Please provide a detailed explanation.

CA-NP-168 (Reference PUB-NP-003, Footnote 3, and the reference to hospitals therein) Does the company have a listing of hospitals referenced in the footnote and whether these hospitals have their own generators in the event of an outage?

CA-NP-169 (Reference PUB-NP-003 and PUB-NP-006) Has the imminent commissioning of the Muskrat Falls Project in any way impacted Newfoundland Power's 2022 CBA? If so, please provide details.

CA-NP-170 (Reference PUB-NP-006, lines 20-24) Please quantify the lower rates and the reduction in overall cost to customers as referenced therein.

CA-NP-171 (Reference to PUB-NP-011, footnote 2) Newfoundland Power states "*it has not included energy use associated with the Company's proposed charging stations in its energy and purchased power cost forecasts for the purposes of setting customer rates*". Please provide the legal justification for repairs having to be paid for the company's proposed charging stations in setting customer rates. Please quantify the benefits for customers on the introduction of EV's in Newfoundland Power's fleet.

CA-NP-172 (Reference various RFI responses) Please confirm that Newfoundland Power:

a) has not done any laboratory testing (CA-NP-017);
b) has not embedded productivity savings in the CBA (CA-NP-011);
c) has done little benchmarking against other utilities (except the Atlantic Provinces with respect to SAIDI and SAIFI and T&D investment) (CA-NP-012);
d) has not incorporated customer preferences (CA-NP-013);
e) has not quantified risks associated with delaying projects (CA-NP-016);
f) has not quantified benefits associated with undertaking projects in 2022 rather than later (excepting the LED streetlight replacement project and application enhancements) (CA-NP-031); and,
g) is proposing in its 2022-2023 GRA a 15.3% increase in its return on equity from the current 8.5% to 9.8% (Volume 1 of GRA, page 1-8).

CA-NP-173 (Reference Elenchus August 13, 2021 report Comments on Newfoundland Power's 2022 Capital Budget Application, pages 13 to 15 and 32 to 36) Elenchus identifies 4 questions that need to be fully addressed for the Board's review of Newfoundland Power's 2022 CBA to be consistent with generally accepted prudency review standards as well as the Board's own prudency review standards. Elenchus concludes (pages 32 to 36): 1) Newfoundland Power has excluded consideration of alternatives that merit at least a preliminary assessment so has not considered a reasonable range of alternatives, 2) not all relevant information has been identified because Newfoundland Power has not identified a reasonable range of alternatives, 3) it is not possible to know if the proposed investments are the lowest cost options because a reasonable range of alternatives have not been evaluated, and 4) the absence of NWAs as alternatives suggests that Newfoundland Power may have a bias to the A-J Effect by avoiding evaluation of alternatives with low capital costs.

a) Does Newfoundland Power agree that these 4 questions must be addressed to meet generally accepted, and the Board's own prudency review standards? If not, please explain why not.
b) Does Newfoundland Power agree that its 2022 CBA does not meet standards for prudency review? If not, why not?
c) If Newfoundland Power believes it has met the prudency test for some of the projects in its 2022 CBA, please identify the projects and explain why it believes it has met the prudency standard for these projects.

d) Why did Newfoundland Power not consider NWAs and distributed energy resources in its 2022 CBA? Newfoundland Power is considering new technologies in its electrification program. Why is it not considering new technologies behind the meter?

e) Does Newfoundland Power agree that long-lived projects have a greater risk of becoming stranded?

f) Has Newfoundland Power considered the impact on the total bill of customers if capital projects such as the Sandy Brook Plant Penstock Replacement project constitute uneconomic bypass of NLH (page 25 of Elenchus report)?

g) What risk premium would Newfoundland Power's shareholder expect "*if it were determined in advance that any unrecovered costs due to stranding would be their responsibility (i.e., stranded costs would not be backstopped and hence recoverable from either ratepayers or taxpayers*)" (page 36 of Elenchus report)?

CA-NP-174 (Reference CA-NP-006)

a) Please confirm that: i) Newfoundland Power created a document titled: Newfoundland Power, a Fortis Company, ANNUAL INFORMATION FORM FOR THE YEAR ENDED DECEMBER 31, 2020, dated February 11, 2021, which document is publicly available on the www.sedar.com website at: https://www.sedar.com/CheckCode.do, ii) that 'Fortis' appears in the document 47 times, not including its appearance on the document's cover page, and iii) references in the document related to 'Fortis' include a number of references to a Named Executive Officer ("NEO") being paid some form of compensation or remuneration or otherwise receiving a financial benefit that involves or is related to Fortis Inc. and/or Fortis Inc. stock or Fortis Inc. shares, which references are included in Attachment A.

b) Please indicate whether the NEOs referenced in Attachment A each have a personal financial interest in Fortis stock or Fortis shares increasing in value.

c) Please provide a detailed description of the incentive arrangement described in the statement: "*Incentive is based on Fortis' and Newfoundland Power's performance over a 3-year period against predetermined measures.*" Please include a description of how the performance of Fortis and Newfoundland Power is measured or assessed.

d) Please indicate whether an increase in the total amount of capital budget expenditures by Newfoundland Power will contribute to an increase in the value of how the performance of Fortis and Newfoundland Power is measured or assessed.

CA-NP-175 (Reference the above RFIs) Please provide a list that for each response to a Request for Information shows the name of the author(s)/most responsible person(s) for CA-NP-117 through CA-NP-174.

DATED at St. John's, Newfoundland and Labrador, this 20th day of August, 2021.

Per: ______________________________

Dennis Browne, Q.C.
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Attachment A to CA-NP-174

REPORT ON EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

It is the responsibility of the GHR Committee to review, recommend and administer the compensation policies in respect of the Corporation's executive officers. The GHR Committee's recommendations as to base salary, short-term incentives and the Performance Share Unit ("PSU") Plan are submitted to the Board of the Corporation for approval. Proposed grants to the Corporation's executive officers under the Fortis Stock Option Plan and the Restricted Share Unit ("RSU") Plan are submitted by the Corporation's Board to the Human Resources Committee of the Fortis Board of Directors for approval...

Total annual compensation for the executive officers is composed primarily of the following components:

- annual base salary;
- an annual incentive plan that provides the opportunity to earn a cash bonus;
- share-based awards that provide the opportunity to earn cash based on performance metrics at the end of a three-year period (PSU Plan);
- share-based awards that provide the opportunity to earn cash or Common Shares of Fortis at the end of a three-year period (RSU Plan);
- option-based awards to purchase Common Shares of Fortis; and,
- pension arrangements.

Total annual compensation for the executive officers involves a significant proportion that is at risk due to the use of short-term and long-term incentive components. For 2020, approximately 60% of the President & Chief Executive Officer's total annual compensation was designed to be at risk. Approximately 50% of other executive officers' total annual compensation was designed to be at risk. Total annual compensation includes both the cash compensation paid to the executive officers in the year and the estimated compensation for the medium-term and long-term incentive components. The estimated value of the option-based long-term incentive component is determined using the binomial valuation model at the date of grant of options.

The GHR Committee believes that this approach best serves the interests of shareholders by ensuring that executive officers are compensated in a manner that advances both the short-term and long-term interests of shareholders. The executive compensation regime is structured in a manner that recognizes the greater ability of the President & Chief Executive Officer to affect corporate performance by making a greater portion of that individual's compensation dependent upon corporate performance.

The elements of compensation of the Named Executive Officers ("NEOs") and their respective compensation objectives are set out in the following tables.

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Medium-Term Performance		
Share-Based Awards (RSUs) *(all NEOs)*	The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average price of Fortis' common shares for the five trading days immediately preceding the date of grant. The grant date is January 1st of each year. Cash payout or issue of Fortis common shares upon completion of the three-year period.	Retain and attract highly qualified leaders. Simple to communicate and administer. Balance compensation for short and medium-term strategic results.
Share-Based Awards (PSUs) *(all NEOs)*	Incentive is based on Fortis' and Newfoundland Power's performance over a 3-year period against predetermined measures. The amount of annual grant is determined as a specified percentage of the participant's annual base salary divided by the volume-weighted	Retain and attract highly qualified leaders. Motivate strong business performance. Simple to communicate and administer. Balance compensation for short and medium-term strategic results.

	average price of Fortis' common shares for the five trading days immediately preceding the date of grant. The grant date is January 1st of each year. Cash payout upon completion of the three-year performance period, depending on Fortis' and Newfoundland Power's performance.	
Long-Term Performance		
Option-Based Awards *(all NEOs)*	Annual equity grants are made in the form of stock options to purchase common shares of Fortis. The amount of the annual grant is determined as a specified percentage of the participant's annual base salary divided by the binomial valuation of Fortis' share price. Options vest over a 4-year period and expire after ten years.	Retain and attract highly qualified leaders. Motivate strong business performance. Simple to communicate and administer. Balance compensation for short-, medium- and long-term strategic results.

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Share-Based Awards

PSUs

The Corporation has a PSU plan whereby each PSU represents a unit with an underlying value equivalent to the value of a Fortis common share. Grants of PSUs are determined as a specified percentage of the participant's annual base salary divided by the volume-weighted average trading price of Fortis common shares for the five trading days immediately preceding the date of the grant. Notional dividends are assumed to accrue to the holder of the PSU and to be reinvested on the quarterly dividend payment dates of the common shares. Payment will be made three years after the grant in an amount of 0-200% of the number of PSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares. Payout is determined by the GHR Committee upon consideration of: (i) Fortis' performance, as compared to a comparable group of utility holding companies, over such three-year period against predetermined measures; and (ii) Newfoundland Power's performance over such three-year period as compared to the business plan as approved by the Corporation's Board of Directors. Previous grants of PSUs are not taken into consideration when new PSUs are awarded.

RSUs

Prior to 2020, the Corporation had an RSU plan whereby each RSU represented a unit with an underlying value equivalent to the value of a Fortis common share. Grants of RSUs and the accumulation of notional dividends were consistent with the PSU plan, with payment being made three years after the grant in an amount of the number of RSUs accumulated, including reinvestment of notional dividends, times the volume-weighted average trading price of Fortis common shares.

A new RSU plan for 2020 has been adopted by Fortis. It allows participants the opportunity to settle RSUs granted under the plan in either cash or common shares of Fortis. Previously, the settlement of RSUs under Newfoundland Power's plan was only in cash.

Since the 2020 RSU Plan allows for settlement in shares, it is a consolidated Fortis plan and not a subsidiary-based plan. All grants under the 2020 RSU Plan are approved by the Human Resources Committee of Fortis on the recommendation of the Board of Directors of Newfoundland Power. This is substantially similar to grants under the Fortis Stock Option Plan.

No further grants of RSUs will be made under Newfoundland Power's RSU Plan. All existing awards shall remain outstanding and in effect in accordance with the applicable terms and conditions of Newfoundland Power's RSU Plan.

The terms of the 2020 RSU Plan are substantially similar to the terms of the Company's former RSU Plan, with necessary modifications to provide for settlement in shares. The form of payout in cash or Fortis common shares will consider share ownership guidelines. Where an executive has not met share ownership guidelines, the 2020 RSU Plan will require half of the vested units to be settled in Fortis common shares. The executive can then choose how to settle the remaining vested units. Where an executive has satisfied share ownership guidelines, the form of settlement is left to his or her discretion.

Option-Based Awards

Long-term incentives take the form of grants of options under a Fortis Stock Option Plan, pursuant to which options to acquire Fortis common shares may be granted to executives of Fortis and its subsidiaries, including the Corporation. These grants encourage increased share ownership to participants as an incentive to maximize shareholder value. The amount of options granted are dependent upon the optionee's salary. In January 2020, the former President & Chief Executive Officer of the Corporation was granted options entitling him to purchase that number of common shares of Fortis having a market value at the time of grant equal to 22.5% of his base salary. The market value of options granted to the Vice President, Customer Operations at the time of grant was equal to 12.5% of his base salary, and for the Vice President, Finance and Chief Financial Officer and Vice President, Engineering & Energy Supply the market value at the time of grant was equal to 10% of their respective base salaries. Previous grants of stock options are not taken into consideration when new options are awarded.

The stock option plan in place for 2020 was the 2012 Stock Option Plan. Under this plan, options are exercisable for ten (10) years from the date of the option grant subject to a vesting requirement whereby options vest at a rate of 25% per year over the four-year period commencing on the first anniversary of the date of grant. In addition, options granted under the 2012 Stock Option Plan will vest and become exercisable at such time or times as may be determined by Fortis. Where a participant has been granted options for five or more prior years, the maximum number of shares for which options will be granted in any calendar year will not exceed the minimum number of shares held by the participant since the beginning of the previous calendar year.

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Internal Compensation Risk Mitigating Controls

The compensation program is designed such that risk is taken into consideration throughout the compensation review process.

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Medium and Long- Term Incentives

Share and Option Based Awards: PSUs are awarded to executives to emphasize their ability to affect overall corporate performance. The deferred component of PSUs, RSUs and stock options provides for an appropriate alignment between incentive payouts and the timeline of risks for the Corporation.

Stock Ownership Requirements: NEOs are required to beneficially own, directly or indirectly, a minimum number of Fortis shares based on position. For the President & Chief Executive Officer, the minimum shareholding amount is two times their annual base salary, and for all other executives the minimum amount is equal to their annual salary. Minimum share ownership must be achieved within five years of appointment to an eligible position.

Any NEO that fails to comply with the share ownership requirements will not be eligible for future equity-based compensation awards until the later of (i) the end of the one-year period commencing on the date of such failure or (ii) such time as the NEO is again in compliance with the share ownership policy.

Anti Hedging Policy: The Corporation's executive officers are not permitted to hedge against declines in the market value of equity securities received as compensation.

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FN (1): Each unit of stock option, PSU and RSU are equivalent to one common share of Fortis. The compensation securities granted in 2020 represent less than 1 per cent of the total number of common shares issued and outstanding of Fortis.

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Indebtedness of Directors and Executive Officers

As at February 11, 2021, the aggregate indebtedness of all directors, the NEOs and senior officers of the Corporation, all of which was incurred in connection with purchases of common shares of Fortis pursuant to the Fortis employee share purchase plan (the "Fortis ESPP") was $6,720, excluding routine indebtedness. The following table sets forth details of such indebtedness.

[table omitted]

Fortis ESPP loans are interest free and repayable within one year through regular payroll deductions.

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