newfoundland labrador hydro

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September 7, 2021

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

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

Dear Ms. Blundon:

Re: Newfoundland Power's 2022–2023 General Rate Application – Requests for Information

Please find enclosed Newfoundland and Labrador Hydro's Requests for Information NLH-NP-083 to NLH-NP-100 in relation to Newfoundland Power's 2022–2023 General Rate Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc: **Board of Commissioners of Public Utilities**
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Bernice Bailey, Browne Fitzgerald Morgan & Avis
Bernard M. Coffey, Q.C.

IN THE MATTER OF the Public Utilities Act, R.S.N.L. 1990, Chapter P-47, as amended, (the "Act"); and

IN THE MATTER OF a general rate application (the "Application") by Newfoundland Power Inc. ("Newfoundland Power") to establish customer electricity rates for 2022 and 2023.

Newfoundland and Labrador Hydro

Requests for Information

NLH-NP-083 to NLH-NP-100

September 7, 2021

NLH-NP-083 In its response to NLH-NP-031, Newfoundland Power noted that:

> Newfoundland Power does not gather information relating to heat pumps installed by General Service **c**ustomers.

Does Newfoundland Power plan to begin gathering information related to heat pumps installed by General Service Customers? If yes, when? If no, why not?

NLH-NP-084 In its response to NLH-NP-046, Newfoundland Power provided the forecast domestic energy charges for the period 2021 to 2023 forecast, indicating a domestic service energy charge of 12.876 ¢/kWh in 2022 and 13.189 ¢/kWh in 2023.

Given that the load forecast used in Newfoundland Power's filing was developed using the forecast domestic energy charges noted above, and not on further increases in cost (i.e. assuming cost increases based on the recovery of costs associated with the Muskrat Falls project), please explain the primary drivers of the decrease in forecast energy and demand requirements observed in Newfoundland Power's Energy and Demand Forecast.

NLH-NP-085 In its response to NLH-NP-047, Newfoundland Power provided its native peak demand for the period from 2021 through 2023 forecast.

Please explain the 104.5 MW of load decline observed between the weather normalized peak demand of 1,445.9 MW observed in 2016 and the forecast weather normalized peak demand of 1,341.4 MW in 2023.

NLH-NP-086 The Dunsky Energy Consulting's 2020–2034 Potential Study noted the impact of electric vehicle charging at peak. Further to Newfoundland Power's response to NLH-NP-059, which provided assumptions regarding the year-over-year energy adjustments related to electric vehicles:

a) Has Newfoundland Power made any adjustments to its demand forecast related to electric vehicles to reflect the information contained in the Potential Study?

b) Does Newfoundland Power intend to make such adjustments in future?

NLH-NP-087 Following on its response to NLH-NP-065, as the establishment of a relationship between weather and heat pump performance may increase the relevance of data collected over the previous two winter seasons given that winter conditions on the west coast for data already collected may be similar to expected winter conditions on the east coast, will Newfoundland Power seek to establish a quantitative relationship between weather and heat pump performance? If yes, please explain Newfoundland Power's approach to undertaking such work? If no, why not?

NLH-NP-088 Further to Newfoundland Power's response to NLH-NP-064, can Newfoundland Power provide an estimate of non-electric customers who have installed mini-split heat pumps? If yes, please provide the estimate and detail any assumptions associated with the estimate. If not, why not?

NLH-NP-089 Does Newfoundland Power have an estimate for saturation of mini-split heat pump technology on the Island Interconnected System? If yes, please provide the estimate and detail any assumptions related to the estimate. If not, why not?

NLH-NP-090 In its response to NLH-NP-067, Newfoundland Power indicated it receives a generation credit for 83.486 MW of hydraulic generation. In its response to NP-NLH-069, Newfoundland Power provided its actual hydraulic generation in aggregate at time of Island Interconnected System peak from 2015 through 2021. Based on its response to NLH-NP-069, does Newfoundland Power believe its generation credit for hydraulic generation should be revised? If not, why not?

NLH-NP-091 In its response to NLH-NP-071, Newfoundland Power noted that:

> The Company does not develop its peak demand forecast for supply planning purposes.

a) In consideration of this statement, what peak demand forecast of Newfoundland Power's requirements does Newfoundland Power believe should be used in the Cost of Service methodology for Newfoundland and Labrador Hydro's General Rate Application?

b) In consideration of this statement, what peak demand forecast of Newfoundland Power's requirements does Newfoundland Power believe should be used in Newfoundland and Labrador Hydro's Reliability and Resource Adequacy filings?

NLH-NP-092 In its response to NLH-NP-073, Newfoundland Power provided its annual forecast and actual energy production for each of the last five years.

a) Please confirm that the values provided in the response are provided in GWh, not kWh as stated.

b) Given that the actual production has been at least 8% lower than forecasted production in all but one year, does Newfoundland Power believe its forecasted hydraulic production should be adjusted? If so, how? If not, why not?

c) Please explain how Newfoundland Power's supply costs are recovered in years when actual hydraulic production is lower than the hydraulic production forecast in the test year. Does Newfoundland Power incur any financial impacts if its hydraulic production is lower than forecast? Please explain.

NLH-NP-093 **Reference: NLH-NP-019**

Newfoundland Power's response states:

> As indicated in the Review of General Expenses Capitalized (the "GEC Review"), there would be lower work requirements performed by the finance, human resources and information systems departments if there were no capital program. Given the nature of these departments, Newfoundland Power cannot provide a specific reduction in full-time equivalents for non-construction activities if there were no capital program.
>
> Consistent with the Board's findings in Order No. P.U. 3 (1995-96) and the results of the GEC Review, the use of a nominal rate of 10% is reasonable to use in these circumstances and reflects the incremental cost method.

Reference: "2022/2023 General Rate Application," Newfoundland Power, May 27, 2021, Volume 1, Page 3-50, Table 3-17.

Table 3-17:
GEC Ratios: Existing vs. Revised

General Expense	Existing Ratios	Revised Ratios
Construction Activities		
Capital Planning	Direct	Direct
Operating Supervision	15%	15%
Tools, Equipment and Safety Clothing	48%	65%
System Operations	Direct	10%
Non-Construction Activities		
Finance	13%	10%
Human Resources	13%	10%
Information Systems	-	10%
Employee Welfare[132]	31%	-
Printing Services[133]	13%	-

a) Please explain what aspects of Order No. P.U. 3 (1995-96) Newfoundland Power has relied upon to determine that a nominal rate of 10% is appropriate for finance, human resources, and information systems.

b) Please explain in detail how the existing ratio of 13% for Finance and Human Resources was calculated. In the response, please detail why this calculation can no longer be completed as noted in the response to NLH-NP-019.

NLH-NP-094 **Reference: NLH-NP-024**

Please provide an updated ratio of capital to retirement work. If this cannot be provided, please explain how the use of a ratio last updated in 2011 remains appropriate.

NLH-NP-095 **Reference: NLH-NP-028**

Newfoundland Power's response indicates that:

> [t]here is no applicable update to that pro forma analysis in relation to the Company's 2022/2023 General Rate Application.

a) Given there is no applicable update, please confirm that the ratios as shown in Table D-1 have not changed since their filing and accurately reflect Newfoundland Power's costs as presented in its 2022/2023 General Rate Application.

b) If not, please explain why an update to this table cannot be provided either on a historical or forecast basis.

NLH-NP-096 **Reference: NLH-NP-001**

Further to Table 1 in Newfoundland Power's response to NLH-NP-001, please restate Table 1 showing gross operating cost per customer not adjusted for inflation.

NLH-NP-097 **Reference: NLH-NP-002**

Further to Table 1 in Newfoundland Power's response to NLH-NP-002, please restate Table 1 taking into account compound interest in computing the percent changes provided in column 4.

NLH-NP-098 **Reference: NLH-NP-004**

Further to Newfoundland Power's response to NLH-NP-004, please confirm that no policy changes were made to mitigate the projected increase in insurance costs.

NLH-NP-099 **Reference: NLH-NP-030, 031, 032, 033**

Further to Newfoundland Power's response to NLH-NP-030, NLH-NP-031, NLH-NP-032 and NLH-NP-033, given, (i) it has been 15 years since the completion of the most recent load research study; (ii) approximately 48,400 Domestic customers now have heat pumps; (iii) Newfoundland Power does not know how many General Service customers have heat pumps; and (iv) it will take several years to conduct a load research study (including the time for sample selection, time to achieve customer acceptance to participate, equipment selection, delivery and installation, data collection and analysis):

a) Why is it appropriate to wait until after the Muskrat Falls Project costs are reflected in customer rates prior to starting the load research study process?

b) Does Newfoundland Power believe having more current load research data that provides load data during system peak periods for each rate class would be beneficial in developing a forecast for use in system planning? If not, why not?

c) Does Newfoundland Power believe having more current load research data for each class would be beneficial in completing a rate design review? If not, why not?

NLH-NP-100 Reference: NLH-NP-055

Further to Newfoundland Power's response to NLH-NP-055, Attachment C, the powerconnection document of July 2021 states:

> Newfoundland and Labrador Hydro Increased Electricity Rates Effective July 1, 2021.
>
> Effective July 1, 2021, there was an overall average increase in electricity rates to our customers from Newfoundland and Labrador Hydro (Hydro) of approximately 2.5%, or about $2.50 on a $100 monthly electricity bill. This rate increase is the net result of of a 4.6% increase by Hydro and a 2.1% decrease related to the annual operation of Newfoundland Power's Rate Stabilization Account. This rate increase is not related to our operations and has no financial benefit for Newfoundland Power.

a) Please confirm the rate increase from Newfoundland and Labrador Hydro ("Hydro") in the Utility Rate to Newfoundland Power was a result of the annual operation of the Rate Stabilization Plan ("RSP") which primarily exists to enable the recovery of fuel cost variability between test years.

b) Does Newfoundland Power consider the increase from Hydro to be related to the operations of Hydro and/or to provide financial benefits to Hydro? If yes, please explain why.

c) Please outline how Newfoundland Power explained to its customers that the main cost driver of the rate increase was related to an increase in fuel costs and the annual operation of the RSP?

d) Please confirm that Newfoundland Power did not make operational changes to contribute to the 2.1% reduction in the "4.6% increase by Hydro".

e) Please confirm the Rate Stabilization Account ("RSA") enables Newfoundland Power to recover variances in pension costs, variances in billing demand costs from Hydro, variances in billings to Newfoundland Power as a result of energy purchase variances from Hydro and earnings variances as a result of variances in Newfoundland Power's hydro inflows.

DATED at St. John's, in the Province of Newfoundland and Labrador this 7th day of September, 2021.

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