Office of the Consumer Advocate

PO Box 23135
Terrace on the Square
St. John's, NL Canada
A1B 4J9

Tel: 709-724-3800
Fax: 709-754-3800

February 15, 2024

Via Email

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

Attention: Jo-Anne Galarneau
Executive Director and Board Secretary

Dear Ms. Galarneau:

Re: Newfoundland Power Inc. – 2025-2026 General Rate Application
- Requests for Information

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NP-001 to CA-NP-242.

If you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,

Dennis Browne, KC
Consumer Advocate

Encl.
/bb

cc **Newfoundland Power Inc.**
Lindsay Hollett (lhollett@newfoundlandpower.com)
Dominic J. Foley (dfoley@newfoundlandpower.com)
Liam O'Brien, (lobrien@curtisdawe.com)
NP Regulatory (regulatory@newfoundlandpower.com)
Newfoundland & Labrador Hydro
Shirley Walsh (ShirleyWalsh@nlh.nl.ca)
Dan Simmons (daniel.simmons@mcinnescooper.com)
Michael Ladha (michaelladha@nlh.nl.ca)
NLH Regulatory (nlhregulatory@nlh.nl.ca)
Board of Commissioners of Public Utilities
Maureen Greene, KC (mgreene@pub.nl.ca)
Jacqui Glynn (jglynn@pub.nl.ca
Board General (board@pub.nl.ca)

IBEW Local 1620
Adrienne Ding (ading@odeaearle.ca)
Justin King (jking@odeaearle.ca)
Kyle Rees (krees@odeaearle.ca)
Don Murphy (don@ibew1620.com)

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 by Newfoundland Power Inc. ("Newfoundland Power"): to establish customer electricity rates for 2025 and 2026 (the "Application").

CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NP-001 to CA-NP-242

Issued: February 15, 2024

---

1. Section 1: Introduction

CA-NP-001 (Section 1) Provide a table showing Newfoundland Power's regulated rate base, revenue requirement, capital budget proposed, capital budget approved, actual capital budget expenditures, domestic class energy charge, annual percentage change in Domestic class energy charge and average annual customer rate change for each of the last 20 years and forecast for the years 2024 through 2026. Please show this with and without purchased power costs.

CA-NP-002 (Section 1, page 1-1) Newfoundland Power-owned generation:

a) Has Newfoundland Power considered adding to its generation fleet? What would prevent Newfoundland Power from doing so?

b) Aside from the Net Metering Option, does Newfoundland Power promote development of generation by its customers? For example, does Newfoundland Power have documentation on its website that explains costs, benefits and requirements associated with a customer, or a developer on behalf of a customer, developing solar, wind, small hydro or battery storage to offset electricity costs for a General Service customer or perhaps a new or existing subdivision?

c) Has Newfoundland Power done any promotional work relating to "prosumers" described as (see the chapter from The Palgrave Handbook of International Energy Economics titled *Integration of Non-Dispatchable Renewables*, first online May 28, 2022, by Marco Baroni)[1] *"These producers are often connected to mid- or low-voltage levels grids (distribution grids), generally closer to demand centres, and are often consumers of electricity themselves."* Baroni goes on to say "*The main change introduced by prosumers is their number, scale and diffusion. This is already having an important impact on transmission and distribution grids, and is expected to change the way that transmission system operators (TSO) and distribution system operators (DSO) function and interact, including the possibility for DSOs to provide flexibility services to the system through the aggregation of small active actors (TSO–DSO 2019).*" Why, or why not?

[1] https://link.springer.com/chapter/10.1007/978-3-030-86884-0_16

CA-NP-003 (Section 1, page 1-2) How has Newfoundland Power reduced its environmental footprint in recent years, and how does it intend to reduce its environmental footprint going forward?

CA-NP-004 (Section 1, page 1-2)

a) Has Newfoundland Power surveyed its customers concerning trade-offs between costs and service improvements? Why or why not?
b) Has Newfoundland Power surveyed its customers to determine if they are willing to pay for reliability that is 40% better than the Canadian average?
c) Please confirm that Newfoundland Power continues to spend on capital projects in the absence of this information.

CA-NP-005 (Section 1, page 1-3) According to CA-NP-023(d) from the 2024 Rate of Return on Rate Base Application, Newfoundland Power made $6.0 million more than the mid-point of the range of return on rate base approved by the Board for 2023. In CA-NP-019 from the 2024 Rate of Return on Rate Base Application, Newfoundland Power states "*The Board has described the use of a range as giving a utility "motivation to strive." When revising the range of return on rate base to its current ±18 basis points, the Board observed that the expanded range would "provide an incentive for the company to improve productivity.*"

a) Please provide a table showing how Newfoundland Power's productivity improvements in the past 10 years have reduced its annual operating expenses.
b) Please identify and quantify each program and undertaking implemented by Newfoundland Power that led to the productivity improvements that resulted in Newfoundland Power earning $6.0 million more that the midpoint of the range of return on rate base approved by the Board for 2023.
c) Please show how the savings in operating expenses from productivity improvements in 2023 that resulted in the $6.0 earnings above the midpoint of the range of the rate of return on rate base approved by the Board have been carried forward into 2024, and into the 2025 and 2026 Test Years.

CA-NP-006 (Section 1, page 1-4) It is stated "*CDM programs have delivered approximately $180.3 million in bill savings and*

$180.0 million in reduced system costs for Newfoundland Power's customers from 2009 to 2022." Please provide these calculations and all assumptions.

CA-NP-007

(Section 1, page 1-4) It is stated "*Operating labour costs are forecast to increase by approximately 3.1% annually from 2022 to 2026. This is approximately 1% less than the Company's annual labour inflation over the same period.*"

a) What is the "Company's annual labour inflation" and how is it calculated?
b) Did Newfoundland Power also use its 3.1% annual labour cost increase in forecasting the labour component of its capital costs over the same time period?
c) What is inflation labour projected to be in the province, and across Canada, in the same period?

CA-NP-008

(Section 1, page 1-6) It is stated "*Federal regulations to achieve net-zero emissions from the electricity grid, while maintaining affordable and reliable supply for Canadians, are expected to be finalized in 2024. The full impact of these regulations on the near and longer-term outlooks for the provincial electricity sector and Newfoundland Power's customers is uncertain at this time.*"

a) What is Newfoundland Power doing at this time to achieve net-zero emissions, or is Newfoundland Power taking a wait-and-see attitude?
b) Has Newfoundland Power made any changes to its transmission and distribution planning framework to better position it to respond to net-zero emissions initiatives?
c) Is Newfoundland Power likely to file its next GRA in 2027?

CA-NP-009

(Section 1, page 1-7) It is stated "*In this Application, Newfoundland Power is proposing an average increase in customer rates of approximately 5.5% effective July 1, 2025 to recover its 2025 and 2026 revenue requirements. This rate increase is primarily the result of increases in the Company's costs since its last general rate application and a proposed increase in its return on equity.*"

a) What are the average rates for Newfoundland Power's customers expected to be on June 30, 2024, July 1, 2024 and July 1, 2025?
b) What are the energy charges per kWh and the all-in energy rate for Newfoundland Power's Domestic customer class

expected to be on June 30, 2024, July 1, 2014 and July 1, 2025?

c) Please provide a breakdown of the specific cost increases since the last GRA that have contributed to the proposed rate increase of 5.5%.

d) What costs have decreased since the last GRA and how much has each contributed to a reduction in dollar and percentage terms in the proposed rate increase of 5.5%?

CA-NP-010 (Section 1, page 1-8) It is stated "*The Company has effectively no control over its power supply costs, including the wholesale rate charged by Hydro to Newfoundland Power.*" How might the regulatory system be changed to provide Newfoundland Power a meaningful measure of control over its power supply costs?

CA-NP-011 (Section 1) Please confirm that Newfoundland Power is requesting a rate increase for the 2025 and 2026 test years and that all risk assessments are based on Newfoundland Power's risk during these test years. Would Newfoundland Power agree that risk assessments beyond 2026 can be dealt with in future rate hearings as they evolve? If not, why not?

CA-NP-012 (Table 1-1) Newfoundland Power notes that its electricity sales are growing faster than the number of customers due to government planned electrification. Please provide the data from 2010 and explain if Newfoundland Power regards "electrification" as a material change in its business risk, and if so, from approximately what time period.

CA-NP-013 (Section 1, page 1-6) Would Newfoundland Power accept that it has been the consistent judgment of the Board that it is an average risk Canadian utility and that the company judges that its risks have remained "largely consistent" with those discussed in the 2022/2023 GRA?

CA-NP-014 (Section 1) Newfoundland Power references its "expert's" evidence that it is above average risk compared to other Canadian utilities. Is this also Newfoundland Power's assessment and did Newfoundland Power convey the consistent judgment of the Board to its expert to the contrary? If not, why not?

CA-NP-015 (Section 1) Which Canadian electric distribution companies would Newfoundland Power regard as having less business risk and which as having more business risk than itself? For both responses, please provide the allowed common equity ratio.

CA-NP-016 (Section 1) Common Equity Ratio

a) Would Newfoundland Power agree that 45% is one of the highest common equity ratios allowed for a mainly electric distribution company in Canada?

b) Would Newfoundland Power agree that 45% is one of the highest common equity ratios allowed for a mainly electric distribution company in the United States?

CA-NP-017 (Section 1) Would Newfoundland Power regard Nova Scotia Power and Maritime Electric as having comparable business risk to Newfoundland Power? Please discuss in detail why they would be regarded as higher or lower in a business risk assessment than Newfoundland Power.

CA-NP-018 (Section 1, page 1-7) Of the 5.5% increase in customers rate being requested by Newfoundland Power 1.6% is due to a higher requested ROE of 9.85%. Would Newfoundland Power agree that in 2021 it was requesting an increase in rates based on a requested ROE of 9.80%? Does Newfoundland Power regard an increased ROE of 0.05% as material given that it is within the impact of any range in return on rate base allowed by the Board?

CA-NP-019 (Section 1, page 1-10) Newfoundland Power dismisses the application of an automatic ROE adjustment formula with the argument that there is continued "volatility in bond yields". Please discuss in detail the level of bond market volatility currently experienced and forecast versus that at the time when the ROE adjustment formula was introduced. Is Newfoundland Power's concern the volatility or the level of the forecast bond yield?

CA-NP-020 (Section 1, Table 1-1) Please provide monthly data on the number of customers and sales (GWh) from January 2021 to January 2024, inclusive.

CA-NP-021 (Section 1, Table 1-1) Please compare the sales for 2022 and 2023F with the forecasts for those years given in Newfoundland Power's 2022/23 GRA.

CA-NP-022 (Section 1, Table 1-1) Please confirm that sales are forecast to decrease in 2026 owing to elasticity effects associated with increased rates.

CA-NP-023 (Section 1, page 1-3) Under the six-year plan for LED street lighting, by how much have they reduced Newfoundland Power's gross operating costs for each year so far and what are the forecast reductions 2024, 2025 and 2026?

2. Section 1: Proposal to Not Rebase Power Supply Costs

CA-NP-024 (Section 1, page 1-8 and 1-9) It is stated "*The wholesale rate will be re-designed as part of Hydro's next general rate application. This is expected to include a second block energy rate that will reflect the cost of energy exports, which is now considered the marginal cost of energy. The marginal cost of energy exports is forecast to be in the range of 3 to 5¢ per kWh on an annual basis in 2025 and 2026.*" In the Additional Information filed by Newfoundland Power with the Board on December 13, 2023, it is stated (Footnote 9) "*If Hydro's GRA continues to experience delays, Newfoundland Power believes that it may also be possible for Hydro to file a separate filing to change the wholesale rate ahead of its next GRA.*"

a) Given the inefficiencies associated with the current wholesale rate which has a tail-block energy charge of 18.165 cents/kWh compared to a marginal cost of 3 to 5 cents/kWh, why did Newfoundland Power and Hydro not submit a filing for a revised wholesale rate prior to submission of this GRA?
b) Was Hydro originally ordered to file its next GRA no later than September 30, 2020?
c) What wholesale rate design does Newfoundland Power believe to be appropriate at this point in time and why?

CA-NP-025 (Section 1, page 1-9) It is stated "*Given the uncertainty in the implementation date of a new wholesale rate and the potential material change in marginal energy costs, Newfoundland*

Power has not rebased its forecast power supply energy costs into base rate 2025 and 2026 revenue requirements."

a) Why is this particular uncertainty a valid reason for not rebasing power supply costs in the 2025 and 2026 revenue requirements when there are numerous uncertainties in other data and information submitted as part of this GRA?

b) Does rebasing power supply costs improve rate transparency?

CA-NP-026 (Section 1, page 1-8) Assuming that the Muskrat Falls Project continues to operate as currently, does Newfoundland Power agree that the appropriate measure of the marginal cost of energy is now NL Hydro's export price?

CA-NP-027 (Section 1, page 1-9) Please provide an update on the earliest time that NL Hydro is expected to file its next general rate application.

3. Section 2: Customer Operation/Operating Costs

CA-NP-028 (Section 2, page 2-1) Customer Information System

a) What was the final cost of the new customer information system and how does it compare to the original budget estimate?

b) Is the new customer information system operating without glitches?

c) Is the new customer information system currently being used to bill customers?

d) Is it anticipated that the new customer information system will provide continuity in customer service delivery over the longer term, but not the shorter term? Why?

e) Will the new customer information system result in cost savings for customers?

f) What is the expected life of the new customer information system?

CA-NP-029 (Section 2, page 2-6) It is stated that Newfoundland Power targets completion of new service connections within five business days.

a) What is the basis for this target and how does it compare to the industry average in Canada?

b) How are these data collected?

c) Is this work performed by Newfoundland Power staff or contractors?
d) Please provide data that supports the quoted performance.

CA-NP-030 (Section 2, page 2-6) It is stated that Newfoundland Power "*targets a two-hour response to trouble calls to provide a timely resolution of customers' service issues.*"
a) What is the basis for this target and how does it compare to the industry average in Canada?
b) How are these data collected?
c) Is this work performed by Newfoundland Power staff or contractors?
d) Please provide data that supports the quoted performance.

CA-NP-031 (Section 2, page 2-6) Please file a copy of the latest customer survey.

CA-NP-032 (Section 2, page 2-13) It is stated "*With the continued implementation of CDM programs, customers are forecast to achieve cumulative energy savings of approximately 2,208 GWh by 2025 and peak demand savings of 68 MW.*" What is the value of these savings based on current marginal cost estimates?

CA-NP-033 (Section 2, Figure 2-11) Please reproduce Figure 2-11 using a relevant inflation rate for Canadian labour rather than Newfoundland Power's labour inflation rate.

CA-NP-034 (Section 2, page 2-26) It is stated "*Operating efficiencies over the last decade include those gained through the deployment of Automated Meter Reading ("AMR") meters, which can be read remotely. Virtually all meters in Newfoundland Power's service territory were automated by year end 2017.*"
a) Is 2017 the most recent operating efficiency implemented by Newfoundland Power other than: 1) the LED Street Light Replacement Program, and 2) the usual information technology and GIS upgrades that most every utility has implemented?
b) Is AMR, a technology that Newfoundland Power indicates is one of its "recent" programs implemented to improve operating efficiency, obsolete? It is noted that in 2022, electric utilities had installed about 119 million AMI installations, equal to about 72% of the total number of

electric meter installations in the United States (https://www.eia.gov/tools/faqs/faq.php?id=108&t=3), and according to New Brunswick Power, more than 50% of Canadian households have smart meters (AMI) (https://energyrates.ca/smart-meters-explained-your-full-guide/#:~:text=How%20many%20smart%20meters%20are,million%20households%20with%20smart%20meters).

c) Why are so many utilities installing Advanced Metering Infrastructure? Please provide a discussion of the benefits of AMI; e.g., innovative rates, service quality improvements, etc.

d) How do utilities typically fund AMI programs?

e) Is AMI consistent with government net-zero emissions initiatives?

f) What are Newfoundland Power's current plans with respect to AMI? Please file all studies undertaken by Newfoundland Power with respect to AMI.

CA-NP-035 (Section 2, Table 2-5) Why are operating costs for "Power Produced" increasing at such a fast rate from 2023F to 2026F?

CA-NP-036 (Section 2, page 2-34) It is stated "*Operating labour costs are an indicator of efficiency in Newfoundland Power's day-to-day operations.*"

a) Please confirm that operating labour costs in 2026 are forecast to be 12.4% greater than 2022 levels and compare that to the forecast increase in the Canada GDP deflator over the same time.

b) Do these labour costs include the labour associated with capital projects contained in Capital Budget Applications?

c) In the Labour Forecast, 2024-2026 (Volume 2), no mention is made of productivity improvements and the impact on labour (a search for the word "productivity" returns no references). Are efficiency and productivity improvements brought on by programs and projects in the Capital Budget Applications, and through productivity improvements made by Newfoundland Power between GRAs to increase its rate of return above the midpoint approved by the Board ignored?

d) Did Newfoundland Power incorporate an explicit productivity improvement in the GRA? If so, please provide the reference.

CA-NP-037 (Section 2, page 2-35) Based on an average 3.1% annual increase in labour costs over the period from 2022 to 2026, it is stated "*The Company's weighted labour rate inflation is forecast to be approximately 4.1% per year over this period. This implies an operating efficiency of approximately 1.0% per year.*"

a) Please provide comparable figures based on an appropriate Canadian labour inflation rate.

b) Based on 2023F to 2026F, what is Newfoundland Powers' average weighted labour rate inflation per year and its average annual increase in labour costs? What does the difference between them indicate?

c) Is the difference between the percentage changes in weighted labour rate inflation and labour costs the only source of operating efficiency improvement?

d) Please compare the forecast 3.1% average annual increase in Newfoundland Power's labour cost from 2022 to 2026 with the Conference Board of Canada's forecast of the inflation rate, as measured by the Canada GDP deflator, for same period.

CA-NP-038 (Section 2) How do Newfoundland Power's operating costs per customer compare to a peer group of similar distribution companies over the past 10 years?

CA-NP-039 (Section 2, page 2-12) Footnote 23 indicates that of the $180 million in system cost savings due to Newfoundland Power's CDM programs, the bulk of savings, 72%, resulted from avoided energy costs. In light of Newfoundland Power's forecast of a decline in its energy sales by 2026, will it continue spending on CDM programs that primarily reduce energy consumption and, if so, why?

CA-NP-040 (Section 2, page 2-13) According to Table 2.2, Newfoundland Power forecasts spending more than $6.4 million in each of 2024 to 2026 on CDM programs.

a) Are these CDM expenditures targeted primarily to reduce peak demand?

b) If these CDM expenditures were eliminated by the end of 2024, by how much would Newfoundland Power's forecast energy sales for 2025 and 2025 be affected?

c) Please provide copies of the 2022 and 2023 *Conservation and Demand Management Reports*.

CA-NP-041 (Section 2, page 2-27) Please present a figure similar to Figure 2-11 but for total annual operating cost rather than the per customer operating cost and, in a spreadsheet, provide the data and underlying calculations.

CA-NP-042 (Section 2, page 2-27) It is stated "*Newfoundland Power's operating efficiency has primarily been advanced over the last decade through the effective deployment of technologies*." Is it accurate to say that the deployment of those technologies is largely realized through Newfoundland Power's capital expenditures?

CA-NP-043 (Section 2, page 2-29) Please provide an explanation for the differences between Gross Operating Costs as given in Table 2-3 and the Operating expenses given in Exhibit 3, page 1 of 9, line 15. With the requested explanation, please use a table that itemizes the differences and reconciles the two values for each of 2022, 2023 and 2024F.

CA-NP-044 (Exhibit 3) Please revise all tables in Exhibit 3 to include 2021 actuals.

CA-NP-045 (Exhibit 7, pages 1 of 2 and 2 of 2)
a) Please identify and explain what causes the Operating Costs to be higher in 2025 and 2026 in the "Proposed" case as compared to "Existing" case.
b) Please identify and explain the changes in Other Transfers to RSA for 2025 and 2026.

CA-NP-046 (Exhibits 3 and 7) Please provide a table containing the Operating expenses for 2022, 2023 and 2024E from Exhibit 3 and the Operating Costs ("Proposed") for 2025F and 2026F from Exhibit 7 and also give the annual percentage changes in these operating expenses as well as the percentage change in the Canada GDP deflator for 2023, 2024, 2025F and 20226F.

4. Section 2: Customer Operations/Capital Expenditures

CA-NP-047 (Section 2, page 2-21) What is the current status of Newfoundland Power's asset management strategy review?

CA-NP-048 (Section 2, page 2-37) It is stated "*Increased Generation capital expenditures reflect forecast requirements to refurbish existing hydro plants and replace Newfoundland Power's aging thermal units used for emergency backup purposes.*"
a) What will the thermal units be replaced with in light of government net-zero emissions initiatives?
b) Will Newfoundland Power consider replacement with generation technologies that use environmentally friendly fuels, solar/wind generation, fuel cells, battery storage, both utility and customer-owned, etc?
c) How are environmentally friendly generation alternatives being incorporated in Newfoundland Power's planning process?

CA-NP-049 (Section 2, page 2-37) Please extend Table 2-10 by including 2020 and 2021, updating 2024F in light of Board Order P.U. 2(2024) regarding Newfoundland Power's 2024 Capital Budget Application, and adding a line after "Total" that gives Newfoundland Power's rate base for each year.

CA-NP-050 (Section 2) In determining its annual capital expenditure, please explain how Newfoundland Power takes interest rates into account. In particular, did the increases in interest rates from early 2022 to mid-2023 influence Newfoundland Power's decisions regarding the levels of 2023 and 2024 capital expenditures and its plans for 2025 and 2026 capital expenditures, and do forecasts of interest rate movements affect Newfoundland Power's scheduling of capital projects?

CA-NP-051 (Section 2) Has there ever been a year since the current regulatory framework has been in place that Newfoundland Power's annual capital expenditure did not lead to an increase in its rate base?

CA-NP-052 (Section 2) In light of Newfoundland Power's forecasts of modest growth in energy sales in 2025 and a decline in 2026, how has it adjusted its capital expenditure plans?

5. Section 2: Customer Operations/Reliability

CA-NP-053 (Section 2, page 2-22) It is stated "*Major events have become more frequent in Newfoundland Power's service territory.*" Please provide a chart showing the number of major events

from 2013 to 2022, identify each major event and compare the number of events to the Canadian average. Also, please update Figure 2-9 to include 2023.

CA-NP-054 (Section 2.3.2) Newfoundland Power discusses system reliability and it appears that despite the rugged terrain Newfoundland Power's system has proven very reliable in the face of increased significant events. Can Newfoundland Power confirm this judgement and compare its system over the period 2013-2023 with that of Nova Scotia Power and Maritime Electric on the basis of the age of the plant and equipment in its system, for example, using net to gross plant in service or any other metric the company judges to be more useful?

CA-NP-055 (Section 2, page 2-21) It is stated "*Newfoundland Power's operations are focused on maintaining current levels of service reliability for customers under normal operating conditions.*" Newfoundland Power's current reliability is approximately equal to the Canadian average in frequency of outages and substantially superior to the Canadian average duration of outages. Please explain the decision-making process that Newfoundland Power used to determine that the current level of reliability is an appropriate target; in particular, did Newfoundland Power use an optimization analysis to arrive at its conclusion?

6. Section 2: Customer Operations/ Environmental Responsibility

CA-NP-056 (Section 2, page 2-24) It is stated "*The Company set out an approach to emission reductions, including a target to reduce controlled greenhouse gas emissions by 55% by 2035, as compared to 2019 levels.*"

a) Please define the "approach".
b) Is this consistent with government net-zero emissions initiatives?
c) Please provide a table showing emissions in each year since 2015.
d) Please file a copy of Newfoundland Power's "approach" to emissions reduction.
e) Does the "approach" include installation of environmentally friendly generation alternatives and retirement, or fuel switching, of generation that burns fossil fuels?

f) Is the "approach" incorporated in Newfoundland Power's transmission and distribution planning strategy?

7. Section 3: Finance/Fair Return

CA-NP-057 (Section 3, page 3-3) It is stated "*The Company's financial forecasts under existing customer rates include the impact of the proposals in Newfoundland Power's 2024 Rate of Return on Rate Base Application filed with the Board on November 23, 2023.*" If the Board issues an Order denying the 1.5% rate increase effective July 1, 2024 proposed by Newfoundland Power:

a) How will Newfoundland Power modify the proposed rate increase and effective date in this GRA?
b) If this were to occur, would Newfoundland Power file an amended GRA, or re-file the entire GRA?
c) Would Newfoundland Power file a GRA with a 2024 Test Year?

CA-NP-058 (Section 3, page 3-4) It is stated "*... partially offset by energy conservation and downward pressure on sales by increasing electricity rates.*"

a) What electricity rates, both the energy charge only and the all-in average rate, are assumed for the Rate 1.1 Domestic Customer Class in the 2024 to 2026 timeframe and what are the assumptions used to support the forecasts?
b) Specifically, how much do increasing electricity rates impact the sales forecast in each year?

CA-NP-059 (Section 3, page 3-5) What is Newfoundland power's wheeling rate, does Newfoundland Power provide wheeling services for Hydro only, and what is the basis for the wheeling rate calculation?

CA-NP-060 (Section 3, page 3-6) It is stated "*Increases in depreciation expense over the period 2022 to 2026 are the result of the Company's annual capital investment in the electrical system.*"

a) Please confirm that 2026 forecast depreciation expenses are expected to be more than $16 million greater than 2022 levels, representing a 22.7% increase over the 4-year period.

b) Please provide a table comparing depreciation expense to operating costs, and labour cost, showing dollar amounts and annual percentage changes, over the same period.
c) Other than limiting future capital expenditures, is there any other way that Newfoundland Power can reduce the increases in its depreciation expenses?

CA-NP-061

(Section 3, page 3-10) It is stated "*Newfoundland Power's average debt is expected to increase by approximately $207 million from 2022 to 2026. The increase in average debt is primarily to finance capital expenditures necessary to maintain system reliability and to provide required service to customers.*"

a) Does the increase in debt also finance capital expenditures that improve operating efficiency?
b) Please confirm that the 2026 forecast average debt is expected to increase by about 31.3% over 2022 levels even though the average cost of debt is forecast to decrease over this time frame.
c) Please provide a table comparing average cost of debt to operating costs, and labour cost, over the same period.
d) Has Newfoundland Power considered postponing some capital expenditures due to high interest rates and the likelihood that interest rates may decline in the next few years?

CA-NP-062

(Section 3, page 3-12) It is stated "*... is forecast to be above the approved range for 2023, driven by a higher forecast return on debt compared to the Company's 2023 test year return on debt.*"

a) A primary justification for a range on the rate of return on rate base is to provide incentive for Newfoundland Power to increase efficiency to the benefit of consumers. Since the 2023 return is well-above the midpoint of the rate of return on rate base approved by the Board for 2023, and the increased earnings had nothing to do with efficiency improvements, will Newfoundland Power return all revenue above the midpoint of the range to consumers?
b) Does this justify elimination of the range, or alternatively, providing a sharing arrangement, for example a 50/50% sharing, of all earnings above the midpoint of the range approved by the Board?

CA-NP-063 (Section 3, page 3-21) It is stated "*Newfoundland Power's capital structure also formed part of the settlement agreement reached in relation to the Company's 2022/2023 General Rate Application.*" With respect to the settlement agreement reached on the 2022/2023 GRA:

a) A reduction of $300,000 in 2023 Operating Costs to reflect operating efficiencies was included in the agreement. Does this commit Newfoundland Power to a $300,000 reduction in operating costs in the 2025 and 2026 Test Years?
b) Please identify the specific operating cost savings associated with the agreed $300,000 reduction in operating cost in 2023.
c) According to Exhibit 3 (line 15), Newfoundland Power's operating expenses in 2023 was $73,473,000 which is $4,604,000 (or 6.7%) higher than operating expenses in 2022. How can a reduction in operating cost of $300,000 in 2023 be verified?
d) Newfoundland Power agreed to conduct load research and rate design studies. More than 2 years later, what is the status of these studies and what information deriving from these studies has been incorporated in the GRA?
e) Does agreement with the capital structure in the settlement agreement commit Newfoundland Power and the Consumer Advocate to the same capital structure in this GRA?
f) Does agreement on any issue in the settlement agreement commit a signatory party to the same position in this GRA?

CA-NP-064 (Section 3, Table 3-4) Table 3-4 shows Newfoundland Power's forecast depreciation expense until 2026. Please provide the depreciation rate used for each year and indicate whether it is fair to say that the depreciation rate applied to distribution assets indicates the useful economic life of those assets?

CA-NP-065 (Section 3, page 3-8) Newfoundland Power discusses its defined benefit pension plan with forecast expense out to 2026. In 2016, Newfoundland Power provided (CA-NP-014) its consulting actuary's Capital Market Assumptions and Methodology (AON Hewitt) and Economic and Market Outlook (Mercer) related to similar values. Please provide the latest equivalent reports from this consulting actuary and any other reports in its possession that deal with future long-run equity and bond market returns on its pension plan assets.

CA-NP-066 (Section 3, page 3-10) Newfoundland Power discusses its finance charges from 2022 to 2026 and it average debt cost. Please indicate why Newfoundland Power should not be allowed a fixed premium over its average debt cost and why it is requesting a higher allowed ROE when this average debt cost is forecast to decline.

CA-NP-067 (Section 3)
a) Please indicate the terms of Newfoundland Power's last five debenture issues including size, term, all in cost, and premium over equivalent term Canada bonds.
b) On June 2, 2018, Newfoundland Power issued $75 million first mortgage bonds at 3.815%. Has Newfoundland Power been able to issue 40-year bonds both prior to 2018 and subsequently?

CA-NP-068 (Section 3, page 3-14) In Table 3-11 Newfoundland Power reports its credit metrics for 2022 and forecast out to 2026. Are these reported in the same manner as DBRS and Moody's or would there be any material differences if calculated by either of them? Please provide the historical values back to 2010.

CA-NP-069 (Section 3, Footnote 25) Newfoundland Power notes its Moody's rating as Baa1. Please confirm that Moody's has both an issuer rating as well as an issue rating, where the latter is the rating through which Newfoundland Power accesses the bond market. Please provide the current bond ratings for Nova Scotia Power.

CA-NP-070 (Section 3) In its 2022-23 GRA, Newfoundland Power indicated that it may have difficulty issuing further funded debt due to the constraint in its trust deed and the forecast decline in its interest coverage ratio. Please indicate whether any problems in fact materialized between 2021-24 and provide the relevant sections of its trust deed dealing with the interest coverage ratio.

CA-NP-071 (Section 3) Please indicate the last time that representatives from Moody's and DBRS met with Newfoundland Power (or communicated in a substantive manner via Zoom or equivalent) and whether Newfoundland Power fully briefed them on its business risk. Did Newfoundland Power receive

advance copies of these reports and was it asked to check for any errors and omissions before their publication?

CA-NP-072 (Section 3, page 3-20) Newfoundland Power references the 1998 Court of Appeal decision that "*a capital structure cannot be changed easily or quickly.*"

a) Does Newfoundland Power agree with this legal decision and if so, can it explain why it cannot, for example, simply borrow money and dividend the funds out to increase its debt ratio?

b) Has Newfoundland Power discussed the difficulty of changing its debt ratio with its financial advisors and received an opinion from them that such a change cannot happen?

CA-NP-073 (Section 3, page 3-20) Can Newfoundland Power confirm that the Board originally approved its common equity in a range of 40-45%? If not, provide the specific sections of the Board's referenced decision at page 3-20.

CA-NP-074 (Section 3, page 3-25) Newfoundland Power claims that a weak economic outlook, following the housing market discussion, increases its risk of cost recovery. Is it Newfoundland Power's judgment that a rapidly growing distribution utility is less risky than a more stable one? If so, would it acknowledge that rapid growth frequently implies more financing problems and makes companies more, not less, risky?

CA-NP-075 (Section 3, page 3-29) Newfoundland Power indicates stable energy sales with very little annual variability. Normally one would think that most capital expenditures with such a forecast were simply for maintenance and replacements. In its 2022-23 GRA Newfoundland Power indicated that about 50% of its requested capital expenditures were for replacement. Please indicate the forecast percentages for 2022 to 2026.

CA-NP-076 (Section 3, pages 3-30 on) Newfoundland Power discusses the size of the investment in Muskrat Falls. Is not the only concern facing the Board the implication for electricity costs in Newfoundland and Labrador, and whether it causes customers to leave the system? Please provide the following:

a) Copies of any demand studies indicating the loss of sales as electricity costs increase.
b) A copy of the latest Hydro Quebec survey of electricity costs in major North American cities.

CA-NP-077 (Section 3, page 3-35) Please provide the pre-tax interest coverage ratio, cash flow interest coverage ratio and cash flow debt coverage as on page 3-35 for each year since 2000.

CA-NP-078 (Section 3) Is it Newfoundland Power's judgment that the use of an ROE adjustment formula for a future test-year increases or reduces the risk to Newfoundland Power's shareholders? Conversely, has the use of a formal review, held over relatively frequent three-year time periods, lowered Newfoundland Power's risk relative to what to would have been with the use of an ROE adjustment formula?

CA-NP-079 (Section 3) Return on Equity
a) Please provide the actual return on equity, the allowed ROE and the ROE from the application of the Board's suspended adjustment formula for each year from the first year the ROE formula was used until 2024. Please discuss any material deviations from the actual and allowed ROE during this period.
b) Please provide the values used to determine the ROE resulting from use of the suspended ROE adjustment formula.

CA-NP-080 (Section 3) Please discuss any instances where Newfoundland Power has approached its investment bankers since 2000 and been advised that the bond markets were not receptive to an issue by Newfoundland Power and how Newfoundland Power arranged alternative financing.

CA-NP-081 (Section 3) Please provide any recent Moody's analyses of its rating methodology used for evaluating regulated utilities, similar to those filed in both the 2009 and 2012 hearings. If no new ones have been issued, please provide the latest documents.

CA-NP-082 (Section 3) Please provide any DBRS documents that describe its generic policies towards regulated Canadian and US utilities.

CA-NP-083 (Section 3) Please provide copies of recent equity analyst reports on Fortis that reference Newfoundland Power in a material way.

CA-NP-084 (Section 3) Please provide Fortis Inc's common equity ratio, interest coverage ratio, cash flow to debt and interest coverage, and its DBRS bond rating since 2000 in a manner similar to that for Newfoundland Power.

CA-NP-085 (Section 3) Newfoundland Power receives its common equity from Fortis as its sole owner, and the ROE earned by Newfoundland Power accrues to Fortis. Can Newfoundland Power confirm that Fortis has had very large common and preferred share issues over the last few years and provide details of both the amounts and the issue costs attached to the share issues so that the Board can judge whether a 0.50% issue or financing cost addition to the base ROE is relevant for Newfoundland Power?

CA-NP-086 (Section 3) Has Newfoundland Power ever paid Fortis any issue costs attached to any infusions of common equity from Fortis to Newfoundland Power? Further, Fortis has a dividend reinvestment plan where shares can be purchased at a 2% discount. In the judgment of Newfoundland Power is a 2% issue cost appropriate for any equity issued by Fortis and then invested in Newfoundland Power? If not, and bearing in mind the amount of equity generated through retained earnings, what is Newfoundland Power's best estimate of the after-tax cost paid to issue new equity to Fortis?

CA-NP-087 (Section 3) Newfoundland Power's size

a) Why would Newfoundland Power refer to itself as a small utility when according to Fortis 2023 AIF, it has 274,000 customers whereas Fortis BC Electric has 188,000, Maritime Electric 88,000, and Fortis Ontario 68,000?
b) Please provide the current allowed ROE and common equity ratio for each of these other Fortis utilities that are smaller than Newfoundland Power.
c) Please provide a comparison of the size of Newfoundland Power relative to the eastern Canadian provinces and the average sized distribution companies in Ontario and Alberta.

CA-NP-088 (Section 3) Please confirm that in Fortis 2023 AIF the DBRS rating on Newfoundland Power is A stable and exceeds that for all other subsidiaries of Fortis except FortisBC Energy which is also A stable.

CA-NP-089 (Section 3, page 3-35) Please revise Table 3-13 by removing income taxes, and depreciation and finance charges from fixed costs and including each as a separate category. Also, please include 2023 and add a column for "Change (2002-2023)."

CA-NP-090 (Section 3, page 3-35) With respect to Purchased Power Costs and Fixed Costs, it is stated "*These costs are largely beyond management's control in any given year.*" Moving outside of a one-year focus, are not finance charges and depreciation largely due to Newfoundland Power's capital investment decisions?

8. Section 3: Finance/ Electrification Cost Deferral Account and Recovery of Costs

CA-NP-091 (Section 3, page 3-56) Deferral accounts:
a) Is it typical for Canadian distribution companies to have so many deferral accounts?
b) What rate increase would Newfoundland Power be proposing effective July 1, 2025 if amounts that have accrued in deferral accounts were reduced to zero?

CA-NP-092 (Section 3, page 3-49) Electrification
a) What are Newfoundland Power's current plans with respect to electrification?
b) Does the General Rate Application 2025-2026 include new electrification programs or costs for which Newfoundland Power will be seeking recovery? If so, please identify.

CA-NP-093 (Section 3) What is the total amount outstanding in the Electrification Cost Deferral Account and has Newfoundland Power received any payments from the Account to date?

9. Section 3: Finance/ Demand Management Incentive Account

CA-NP-094 (Section 3, page 3-54) It is stated "*Newfoundland Power proposes to revise the DMI Account definition to replace the calculation of the threshold from ± 1% of test year wholesale*

demand charges to ± $500,000 with effect from January 1, 2025." Why is Newfoundland Power proposing this change now before knowing how the wholesale rate might be re-designed?

10. Section 4: Rate Base and Revenue Requirement

CA-NP-095 (Section 4, page 4-9) It is stated "*... and the potential material difference in marginal energy costs*". What potential material difference in marginal energy costs is Newfoundland Power expecting?

CA-NP-096 (Section 4, page 4-9) Please file for the record Hydro's Marginal Cost Projection 2024 – 2040, dated December 31, 2022. When is the next update on marginal costs expected?

CA-NP-097 (Section 4) In its 2016 GRA filing at page 4-29 Newfoundland Power referred to potential competition as a result of increased power costs. At that time, Newfoundland Power was asked to provide the cost of conversion for a typical residential customer to an oil furnace and the current annual cost of heating with oil versus electricity for different rate classes. With the increased capital cost of Muskrat Falls can Newfoundland Power revisit and update its answer and reference any other alternative fuels that both residential and industrial users might switch to such as propane?

11. Section 5: Customer Rates

CA-NP-098 (Section 5, page 5-2) Table 5-1

a) Did Newfoundland Power review the suitability of maintaining the rate classes shown in Table 5-1? When was the suitability of the rate classes last reviewed?
b) For each of the General Service Rate 2.4 customers, please show in tabular format: customer name, voltage supply level, actual peak demand (2023), actual peak demand as a percentage of total class peak demand (2023), energy demand (2023), and energy demand as a percentage of total class energy demand (2023).

CA-NP-099 (Section 5, page 5-3) Is there an elasticity effect resulting from rate changes on the number of customers?

CA-NP-100 (Section 5, page 5-4) What average rate is assumed in the compilation of the energy sales figures included in Table 5-3?

CA-NP-101 (Section 5, page 5-4) Footnote 6 states "*For example, the sales forecast includes elasticity effects of 16 GWh in 2025 and 48 GWh in 2026 as a result of the proposed July 1, 2025 average rate increase of 5.5%.*" What elasticity effects on sales in 2025 and 2026 would be associated with the rate increase in 2024 and 2025 if all anticipated rate increases, including wholesale rate increases, are implemented?

CA-NP-102 (Section 5, page 5-4) If Newfoundland Power's total energy sales were to be 100 GWh more than forecasts given in Table 5-3 for each of 2025 and 2026 then what effect would that have on its revenue requirement from rates in those years? Please illustrate by providing a revised Statements of Income as given in Exhibit 3, page 1 of 9.

CA-NP-103 (Section 5, page 5-5) The press release quoted in Footnote 8 is almost 2 years old. What is the latest news on Memorial University's plans to install electric boilers?

CA-NP-104 (Section 5, page 5-6) What is Newfoundland Power doing to improve its system load factor? What options are available to Newfoundland Power to improve its load factor, and what benefit would be derived from doing so?

CA-NP-105 (Section 5, page 5-7) It is stated "*Newfoundland Power assesses the fairness of its customer rates by comparing the revenue collected from each class with the cost to serve that class, as determined through an embedded cost of service study (the "revenue-to-cost ratio").*"

a) Is this the only measure of fairness of customer rates used by Newfoundland Power?
b) How relevant is this test given that Newfoundland Power's last load research study was completed in 2006, 18 years ago?
c) When is the current load research study expected to be completed?

CA-NP-106 (Section 5, page 5-7) Why is Newfoundland Power not proposing a revenue to cost ratio of 100% for Street and Area Lighting?

CA-NP-107 (Section 5, page 5-9) It is stated "*The Company's future embedded and marginal costs cannot reasonably be determined until Hydro files its next general rate application reflecting the changes related to the Muskrat Falls Project.*"

a) Will Newfoundland Power not know its embedded costs until Hydro files its next GRA? If not, what costs are reflected in Newfoundland Power's cost of service study in this GRA?

b) Does Newfoundland Power not have a marginal cost forecast that is considerably more accurate than the tail-block energy charges currently incorporated in the wholesale power rate and Newfoundland Power's retail customer rates?

c) Does Newfoundland Power need a rate design review to update its base rates?

d) How might Hydro go about updating the wholesale power rate without waiting until it submits its next GRA?

e) Could Newfoundland Power update the base rates for its retail customers at this GRA?

f) How might Newfoundland Power go about updating the base rates for its retail customers without waiting until it submits its next GRA?

CA-NP-108 (Exhibit 11) For the table in Exhibit 11, please add a column showing rates as of January 1, 2024.

Schedule B

CA-NP-109 (Schedule B) What is the current status of Newfoundland Power's rate design study?

CA-NP-110 (Schedule B, page 1 of 12) Rate #1.1 – Domestic Service:

a) How many customers have been in this rate class in each of the last 10 years?

b) What is the basis for the basic customer charge, when was it last updated, and what was the reason for the update?

c) What is the basis for the energy charge, when was it last updated and what was the reason for the update?

d) How does the energy charge compare to the current system marginal cost of energy?

e) If Newfoundland Power were directed by the Board to update this rate to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-111 (Schedule B, page 2 of 12) Domestic Seasonal – Optional rate:

a) When was this optional rate established and made available to customers?

b) How many customers have availed of this optional rate in each of the last 10 years?

c) What is the basis for the "premium" and "credit" adjustments, when were they last updated, and what was the reason for the update?

d) If Newfoundland Power were directed by the Board to update this optional rate to reflect current estimates of marginal costs, what would Newfoundland Power propose?

e) Did Newfoundland Power consider any other optional rates before filing this GRA?

f) In the past 20 years, has Newfoundland Power offered any other optional rates to customers? What was the basis for these optional rates, what was learned and why were they discontinued? Please file a copy of these rates for the record.

CA-NP-112 (Schedule B, page 3 of 12) Rate #2.1 – General Service 0-100 kW (110 kVA):

a) When was the current version of this rate established and made available to customers?

b) How many customers have been in this rate class in each of the last 10 years?

c) What is the basis for the basic customer charge, when was it last updated, and what was the reason for the update?

d) What is the basis for the different demand charges in winter and non-winter months, when were they last updated, and what was the reason for the update?

e) What is the basis for the blocked energy charge, when was it last updated and what was the reason for the update?

f) How do the demand and energy charges compare to current estimates of the system marginal cost of demand and energy?

g) If Newfoundland Power were directed by the Board to update this rate to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-113 (Schedule B, page 4 of 12) Rate #2.3 – General Service 110 kVA (100 kW) to 1000 kVA:

a) When was the current version of this rate established and made available to customers?

b) How many customers have been in this rate class in each of the last 10 years?
c) What is the basis for the basic customer charge, when was it last updated, and what was the reason for the update?
d) What is the basis for the different demand charges in the winter and non-winter months, when were they last updated, and what was the reason for the update?
e) What is the basis for the blocked energy charge, when was it last updated and what was the reason for the update?
f) How do the demand and energy charges compare to the current estimates of the system marginal costs of demand and energy?
g) If Newfoundland Power were directed by the Board to update this rate to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-114 (Schedule B, page 5 of 12) Rate #2.4 – General Service 1000 kVA and over:
a) When was the current version of this rate established and made available to customers?
b) How many customers have been in this rate class in each of the last 10 years?
c) What is the basis for the basic customer charge, when was it last updated, and what was the reason for the update?
d) What is the basis for the different demand charges in the winter and non-winter months, when were they last updated, and what was the reason for the update?
e) What is the basis for the blocked energy charge, when was it last updated and what was the reason for the update?
f) How do the demand and energy charges compare to the current estimates of the system marginal costs of demand and energy?
g) If Newfoundland Power were directed by the Board to update this rate to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-115 (Schedule B) What happened to the Rate #2.2 customer class, and when, and for what reason, was it abandoned?

CA-NP-116 (Schedule B) Please file an Excel spreadsheet with the following information for the proposed rates in Schedule B:
a) For the Rate 1.1 Domestic customer class, Basic Customer Charge (less than 200 amps), Basic Customer Charge (more

than 200 amps), number of customers (less than 200 amps), number of customers (more than 200 amps), total revenue from Basic Customer Charge, Energy Charge, number of kWh sold, total revenue from Energy Charge, total revenues collected from Rate 1.1 customers.

b) For Rate 2.1 General Service customer class, Basic Customer Charge (unmetered), Basic Customer Charge (single phase), Basic Customer Charge (three-phase), number of customers (unmetered), number of customers (single phase), number of customers (three phase), total revenue from Basic Customer Charge, Demand Charge (winter months), Demand Charge (non-winter months), number of kW sold (winter months), number of kW sold (non-winter months), total revenue from Demand Charge (winter months), total revenue from Demand Charge (non-winter months), total revenue from Demand Charge, Energy Charge (first 3500 kWh), Energy Charge (above 3500 kWh), number of kWh sold (under 3500 kWh), number of kWh sold (above 3500 kWh), total revenue from Energy Charge (less than 3500 kWh), total revenue from Energy Charge (above 3500 kWh), total revenue from Energy Charge, total revenue from Rate 2.1 customers.

c) For Rate 2.3 General Service customer class, Basic Customer Charge, number of customers, total revenue from Basic Customer Charge, Demand Charge (winter months), Demand Charge (non-winter months), number of kVA sold (winter months), number of kVA sold (non-winter months), total revenue from Demand Charge (winter months), total revenue from Demand Charge (non-winter months), total revenue from Demand Charge, Energy Charge (first 150 kWh per kVA of billing demand, up to 50,000 kWh), Energy Charge (above 150 kWh per kVA), number of kWh sold (first 150 kWh per kVA of billing demand, up to 50,000 kWh), number of kWh sold (above 150 kWh per kVA), total revenue from Energy Charge (first 150 kWh per kVA of billing demand, up to 50,000 kWh), total revenue from Energy Charge (above 150 kWh per kVA), total revenue from Energy Charge, total revenue from Rate 2.3 customers.

d) For Rate 2.4 General Service customer class, Basic Customer Charge, number of customers, total revenue from Basic Customer Charge, Demand Charge (winter months), Demand Charge (non-winter months), number of kVA sold

(winter months), number of kVA sold (non-winter months), total revenue from Demand Charge (winter months), total revenue from Demand Charge (non-winter months), total revenue from Demand Charge, Energy Charge (first 75,000 kWh), Energy Charge (above 75,000 kWh), number of kWh sold (first 75,000 kWh), number of kWh sold (above 75,000 kWh), total revenue from Energy Charge (first 75,000 kWh), total revenue from Energy Charge (above 75,000 kWh), total revenue from Energy Charge, total revenue from Rate 2.4 customers.

CA-NP-117 (Schedule B) Please provide a table showing the marginal cost of demand and energy for Rate 1.1, Rate 2.1, Rate 2.3 and Rate 2.4 customer classes.

CA-NP-118 (Schedule B) If the Board were to order implementation of a blocked energy charge for Rate 1.1 Customers in order to better reflect the marginal cost of supply:

a) Would 800 kWh per month be an appropriate size for the first block? Why or why not? If this block size were chosen, how many kWh would be sold under this block, and how many kWh would be sold in the second block?
b) What would Newfoundland Power propose as an appropriate size in kWh for the first block? Please provide justification for proposing this size block, and indicate the number of kWh that would be sold under this block, and the number of kWh that would be sold under the second block.
c) For this scenario, would Newfoundland Power propose different first block sizes for each of the winter and non-winter months, and if so, what first block sizes would it choose for each season and why?
d) For the scenario in part (c) of this RFI, how many kWh would be sold in each winter block and each non-winter block?
e) If the scenario in part (c) of this were offered as an optional rate, would it effectively eliminate the optional seasonal rate?

CA-NP-119 (Schedule B) Street and Area Lighting:

a) What is the basis for these rates?
b) Have these rates changed as a result of the LED Street Lighting Replacement Program? If so, in what way, and if not, why not?

CA-NP-120 (Schedule B, page 7 of 12) Curtailable Service Option (for Rates #2.3 and #2.4 only):

a) When was this optional rate established and made available to customers?

b) How many customers have availed of this optional rate in each of the last 10 years, and what is the total amount of curtailable load made available to the system by these customers in each of the past 10 years?

c) What is the basis for the curtailment credit, when was it last updated, and what was the reason for the update?

d) What is the basis for the 6-hour duration per interruption and the 100 hours total duration in a winter period, when were these requirements last updated and what was the reason for the update?

e) How does the curtailment credit, hours per interruption and hours duration over a winter period compare to the current system marginal cost of demand?

f) If Newfoundland Power were directed by the Board to update this optional rate to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-121 (Schedule B, page 9 of 12) Net Metering Service Option (for Rates #1.1, #1.1S, #2.1, #2.3 and #2.4 only)

a) How many customers have availed of this optional rate in each year since introduced in 2017, what generation technology have they used, and what is the total amount of generation demand and energy displaced by these customers in each year?

b) Please describe Newfoundland Power's marketing programs used to promote this optional rate.

c) Please explain how Newfoundland Power incorporates net metering service in its transmission and distribution planning process.

d) What is the basis for the banked energy credit, when was it last updated and what was the reason for the update?

e) How does the banked energy credit compare to the system marginal value of energy?

f) What are the primary constraints and reasons why more customers have not availed of this option and what has Newfoundland Power done to mitigate the constraints?

g) If Newfoundland Power were directed by the Board to update this option to better reflect current estimates of marginal costs, what would Newfoundland Power propose?

CA-NP-122 (Schedule B, page 11 of 12) Net Metering Service Option (for Rates #1.1, #1.1S, #2.1, #2.3 and #2.4 only)

a) Please file a copy of the Net Metering Interconnection Agreement.

b) Please file a copy of the Interconnection Agreement between Newfoundland Power and domestic customers who do not avail of Net Metering Service.

c) Please file a copy of the Interconnection Agreement between Newfoundland Power and its General Service Customers who do not avail of Net Metering Service.

d) Please file a copy of the Interconnection Agreement between Newfoundland Power and its General Service Customers who do not avail of Net Metering Service and are directly connected to Newfoundland Power's transmission system.

Rules and Regulations

CA-NP-123 (Rules and Regulations, para. 2(d)) It is stated "*The Customer shall use the Service on the Serviced Premises only. The Customer shall not resell the Service in whole or in part, except that the Customer may include the cost of Service in charges for the lease of space, or as part of the cost of other services provided by the Customer.*" Does Memorial University resell the service in whole or in part? Please explain.

CA-NP-124 (Rules and Regulations, paras. 3 and 4) Please provide for the record copies of all documentation including the Application for Service, the connection agreement, any "special guarantees" and all financial arrangements between Newfoundland Power and Memorial University leading up to the construction and commissioning of: i) Long Pond Substation and associated facilities, and ii) Memorial (MUN) Substation and associated facilities.

CA-NP-125 (Rules and Regulations, para. 5(d)) Please describe the point at which power and energy is delivered by Newfoundland Power to Memorial University at both the Long Pond and MUN Substations. Is this the same point where power and energy are

metered? If not, please describe the metering point location and explain why this point was chosen, and what actions have been taken to accommodate the different location from the delivery point.

CA-NP-126 (Rules and Regulations, para. 5(g)) It is stated "*Any Customer having a connected load or a normal operating demand of more than 25 kilowatts, in areas served by underground wiring or where space limitations or aesthetic reasons make it impractical to use a pole mounted transformer bank or pad transformer, shall, on request of the Company, provide at its expense a suitable vault or enclosure on the Serviced Premises for exclusive use by the Company for its equipment necessary to supply and maintain service to the Customer.*" Please file all documentation and invoices between Newfoundland Power and Memorial University relating to the installation of vaults or enclosures, and any additional equipment, at the MUN and Long Pond Substations for Newfoundland Power's equipment used to supply and maintain service to Memorial University.

CA-NP-127 (Rules and Regulations, para. 5(i)) Please provide the results of all tests conducted over the past 10 years at Long Pond and MUN Substations to measure power factor of the Memorial University load. Who pays for these tests?

CA-NP-128 (Rules and Regulations, para. 5(j)) It is stated "*The Company shall provide transformation for Service up to 500 kVA where the required service voltage is one of the Company's standard service voltages and installation is in accordance with the Company's standards. In other circumstances, the Company, on such conditions as it deems acceptable, may provide the transformation.*" Please explain what this means with respect to the MUN and Long Pond Substations.

CA-NP-129 (Rules and Regulations, para. 7(b)) It is stated "*Service to buildings and facilities on the same Serviced Premises which are occupied by the same Customer may, subject to Regulation 7(c), be metered together provided the Customer supplies and maintains all distribution facilities beyond the point of supply.*"

a) Are there any distribution facilities beyond the point of supply at the MUN Substation that are not currently being maintained by Memorial University?

b) Does this clause also apply to transmission facilities beyond the point of supply?

CA-NP-130 (Rules and Regulations, para. 7(e)) It is stated "*Where four or more Domestic Units are metered together, the Basic Customer Charge shall be multiplied by the number of Domestic Units.*" Does it typically cost four times as much to service such customers?

CA-NP-131 (Rules and Regulations, para. 7(i)) In what percentage of cases does Newfoundland Power not use demand meters to measure demand, and why?

CA-NP-132 (Rules and Regulations, para. 7(j)) Why does Newfoundland Power not simply install the appropriate meter?

CA-NP-133 (Rules and Regulations, para. 7(n)) Are all Newfoundland Power customers metered at the distribution voltage level including customers served directly from the transmission system? What billing adjustments are made if metering is at the transmission voltage level?

CA-NP-134 (Rules and Regulations, para. 9(d)) Please file for the record Newfoundland Power's current contribution in aid of construction policy.

CA-NP-135 (Rules and Regulations, para. 9(f)) It is stated "*The reconnection fee shall be $20.00 where the reconnection is done during normal office hours or $40.00 if it is done at other times.*" What is the basis for these charges?

CA-NP-136 (Rules and Regulations, para. 9(k)) It is stated "*Where a Customer's Service is at primary distribution or transmission voltage and the Customer provides their own transformation and all other facilities beyond the designated point of supply the monthly demand charge shall, subject to the minimum monthly charge, be reduced ...*". Are monthly demand charges reduced for the customers served directly from Newfoundland Power's transmission system? Please explain how this clause is applied to Memorial University and the Long Pond and MUN Substations.

CIAC Policy for Distribution Line Extensions and Upgrades to General Service Customers

CA-NP-137

In P.U. 34 (2000-2001) Newfoundland Power requested a contribution in aid of construction for a line extension to serve the town of Pouch Cove. The amount to be paid by the customer that was requested by Newfoundland Power and approved by the Board was the full cost of the extension at $34,886.69 (including HST). In P.U. 5(2023) Newfoundland Power estimated construction costs at $3,312,783.51 for an Upgrade to Long Pond Substation serving Memorial University. The amount to be paid by the customer that was requested by Newfoundland Power and approved by the Board was $0.00.

a) Please explain the rationale for each proposal by Newfoundland Power.
b) Please explain why an expenditure of over $3.3 million at the Long Pond Substation which had already been classified as a duplicate supply facility to Memorial University did not require a contribution from the customer.
c) Why did Newfoundland Power not require a contribution from Memorial University for: i) the MUN-T2 transformer replacement with an estimated cost of $1.6 million, ii) the Long Pond Substation upgrade at an estimated cost of $3.3 million, and iii) the MUN Substation Refurbishment and Modernization project at an estimated cost of $4.4 million?
d) Please identify the specific clauses in the Contribution in Aid of Construction policy that Newfoundland Power relied upon in deciding that a contribution from the customer in these cases was not justified.
e) Will/has Newfoundland Power filed an application with the Board for a contribution in aid of construction for the MUN-T2 and MUN Substation Refurbishment and Modernization project like it did for the Long Pond Substation upgrade?
f) Did the three projects for Memorial University enable the university to avoid $9.3 million while adding $9.3 million to Newfoundland Power's rate base?
g) How much of the $9.3 million is allocated to each customer class in the cost of service study?

CA-NP-138

Please confirm that Newfoundland Power is not proposing any changes to its Contribution in Aid of Construction policy in

this GRA in spite of submissions by Hydro and the Consumer Advocate claiming that the MUN-T2 Transformer Replacement project should receive a contribution from the customer for the full amount of the project.

CA-NP-139 When were the current Contribution in Aid of Construction policies approved by the Board?

12. Volume 2: Customer, Energy and Demand Forecast

CA-NP-140 (page 5 of 8) It is stated "*The energy sales forecast under existing rates includes: (i) a 6.9% increase on July 1, 2023 related to the annual July 1st rate adjustment; (ii) an approximate 9% increase on July 1, 2024 reflecting anticipated rate pressures associated with the July 1st rate adjustment of 7.5% as well as the 1.5% rate increase associated with Newfoundland Power's 2024 Rate of Return on Rate Base Application filed with the Board on November 23, 2023; and (iii) a 2.25% increase on July 1st in each of 2025 and 2026. The Company's proposed 5.5% increase in customer rates effective July 1, 2025 has also been included in the energy sales forecast under proposed rates.*"

a) What is the cumulative rate increase on each of July 1, 2024, July 1, 2025 and July 1, 2026?
b) What is the impact of these rate increases on number of customers and energy sales in 2024, 2025 and 2026?

CA-NP-141 (page 5 of 8) Are Newfoundland Power's elasticity data relevant for the large rate increases expected in 2024 and 2025?

CA-NP-142 (page 8 of 8) What is the impact on the revenue requirement for 2025 and 2026 and the proposed 5.5% rate increase on July 1, 2025 if sales are 1% above forecast, and alternatively, 1% below forecast?

CA-NP-143 Has there been any change in the methodology for forecasting energy and demand in this GRA in comparison with the 2022/23 GRA?

CA-NP-144 (page 5 of 8) For the electricity price forecasts discussed in the Energy Prices Outlook subsection, please provide a tabular summary of annual electricity price increases and their total for 2023, 2024F, 2025F and 2026F. For each year, also provide the

corresponding customer charge and energy charge per kWh for residential customers.

CA-NP-145 (Appendix D) Please revise to include 2023.

Volume 2: Cost of Service Study

CA-NP-146 (Section 5, page 5-7)
a) What is the purpose of a cost of service study, and how is it being used by Newfoundland Power in this GRA?
b) What components of the cost of service study depend on load research data?

CA-NP-147 (Section 5, page 5-7) Does a cost of service study approved by the Board necessarily mean that all parties participating in a GRA are in agreement with all elements of the cost of service study? Did Newfoundland Power agree with every aspect of the cost of service study approved by the Board at Hydro's last GRA?

CA-NP-148 (Section 5, page 5-7) Does Newfoundland Power accept an approved cost of service study as a standard of reasonableness even though it does not necessarily agree with every aspect included in a cost of service study, and even if it has not raised specific issues relating to the cost of service study at the relevant hearing?

CA-NP-149 On March 28, 2023, NL Hydro submitted comments on Newfoundland Power's supplemental application for the MUN-T2 Transformer Replacement project at MUN Substation. In its comments Hydro stated "*In the interest of regulatory fairness and consistency with accepted utility practice in this jurisdiction, Hydro believes that, prior to approving the proposed project, the Board should require Newfoundland Power to enter into an agreement with Memorial University requiring a contribution from the customer for the total capital cost required to maintain redundant supply, including the replacement of transformer T2.*" In response to invitations from the Board to the parties to comment on the Consumer Advocate's request for a rehearing on this application, Hydro was supportive of the Consumer Advocate's request, stating in its letter to the Board dated June 12, 2023 " ... *agrees with the Consumer Advocate 's position*

that the Board's Order is inconsistent with generally accepted utility practice in this province, and should be reconsidered. The costs of the project proposed in Newfoundland Power's Application should be recovered from the customer."

a) Is Hydro correct that if Newfoundland Power had required a contribution from the customer for the project it would have been acting in a manner that is consistent with regulatory fairness and consistency in this jurisdiction?
b) What is generally accepted practice in Canada respecting treatment of costs for transmission facilities that benefit only one customer?
c) How does Hydro treat costs for facilities that benefit only one customer?
d) What policy does Hydro employ when assigning costs that benefit only one customer?
e) Does Newfoundland Power have a policy relating to cost assignment of transmission facilities that benefit only one customer? If so, please file a copy for the record.
f) What are the main differences between Newfoundland Power's policy and Hydro's policy?
g) Should Hydro's policy be changed to conform with Newfoundland Power's policy respecting treatment of costs of facilities that benefit only one customer, or should Newfoundland Power's policy be changed to conform with Hydro's policy? Which policy is more consistent with generally accepted regulatory practice in Canada?

CA-NP-150 NL Hydro's specifically-assigned assets:

a) Does Hydro identify specifically-assigned assets for Newfoundland Power? If so, how does Hydro define such assets?
b) Does Hydro continue to own, operate and maintain assets that have been specifically assigned to Newfoundland Power?
c) How are capital, operating and maintenance costs associated with assets that are specifically-assigned to Newfoundland Power accounted for in Hydro's cost of service study?
d) How are costs associated with assets that are specifically-assigned to Newfoundland Power accounted for in Newfoundland Power's cost of service study?

CA-NP-151

With respect to the MUN-T2 Transformer Replacement application, on page 5 of the Board's Response to the Consumer Advocate's Request for an Oral Hearing, the Board states "*Newfoundland Power's current cost of service was reviewed in its last general rate application filed in 2021 and approved in 2022 and was the subject of an agreement of all of the parties in that proceeding, including the Consumer Advocate.*" At the time, the Consumer Advocate's position was that the cost of service study was far out of date as it was based on load research data completed in 2006, now 18 years old. For this reason, the Consumer Advocate successfully negotiated that Newfoundland Power undertake a load research study as part of the settlement agreement that the Board references. Newfoundland Power's load research study although far out of date, was the best information available at that time. As noted in NP' s Load Research Study Plan dated June 15, 2023, "*This Load Research Study Plan is a direct result of NP 's need to initiate a new load research study.*" Relating to the purpose of the study, the report goes on to say "*When completed, the 2023 Load Research Study will be used in NP 's future cost of service studies, ...*" Does Newfoundland Power agree that the current cost of service study and the cost of service study undertaken for the 2022-23 GRA are based on outdated load research data?

CA-NP-152

Accepted regulatory practice:

a) Is it an accepted regulatory principle that each order issued by a regulator sets regulatory precedence for subsequent orders? Is it accepted regulatory practice in this jurisdiction?
b) In this jurisdiction, what avenues are available to the Board to correct an error made in an order? Once an erroneous order is issued by the Board, is the Board required to carry forward the error in all subsequent orders?
c) Please provide examples of instances when the Board has corrected an error in a previous Order.

CA-NP-153

A detailed description of the MUN Substation Refurbishment and Modernization project included in Newfoundland Power's 2024 Capital Budget Application is given in Schedule B, pages 67-70. Newfoundland Power states (page 69) that continued deferral of the project is not viable " ... *as it would increase risks to the delivery of safe and reliable service to the University*" and that is followed by "*The Memorial Substation*

Refurbishment and Modernization project will mitigate risks to the delivery of reliable service to the Company's largest customer." Newfoundland Power also states (page 70) "*Addressing deteriorated and obsolete equipment identified through an engineering assessment will support the continued delivery of reliable service to the Company's largest customer.*" Because these statements do not identify any other customer that benefits from the MUN Substation, is it accurate to say that that Memorial University is the only customer that benefits from the MUN Substation and would be the only customer adversely affected by its failure?

CA-NP-154 Newfoundland Power states (CA-NP-153 pertaining to the 2024 Capital Budget Application) "*Radial transmission lines that serve multiple customers are considered common transmission assets.*" The response goes on to say "*It is Newfoundland Power's existing practice to charge a customer for connection facilities that benefit only one or a few customers where appropriate.*" Newfoundland Power states (CA-NP-159 pertaining to the 2024 Capital Budget Application) "*The loss of any transformer at MUN Substation would not have any effect on customers other than Memorial University.*"

a) If transmission lines 12L and 14L were joined into a single transmission line that bypassed the MUN Substation, would any other customer on the system be impacted other than Memorial University? Does Newfoundland Power classify Lines 12L and 14L as common transmission assets?
b) Is MUN Substation a connection facility that benefits only Memorial University or is it a common transmission asset?
c) Are all facilities at MUN Substation, or only the facilities from the high-voltage side of the MUN-T1 and MUN-T2 transformers down to the distribution facilities owned by Memorial University connection facilities that benefit only Memorial University or are they common transmission assets?

CA-NP-155 If either of transmission lines 12L or 14L are forced out of service, can the line remaining in service carry the full load of the MUN Substation?

CA-NP-156 Newfoundland Power states (CA-NP-159 pertaining to the 2024 Capital Budget Application) "*The loss of any transformer*

at MUN Substation would not have any effect on customers other than Memorial University." Therefore, the MUN transformers and all low-voltage switchgear benefit only Memorial University. Yet (CA-NP-154 pertaining to the 2024 Capital Budget Application), $2.1 million of the approximately $6 million ($1.6 million for MUN-T2 replacement and the $4.4 million for the MUN Substation) proposed to be spent at MUN Substation would be recovered from all customers and the remaining $3.9 million would be collected from all Rate 2.4 general service customers.

a) Why?
b) Does this reflect how these costs are assigned in the 2025 and 2026 Test Years?
c) Specifically, identify all costs relating to the Memorial and Long Pond Substations including the transmission lines that feed these substations that are included in the 2025 and 2026 Test Years and indicate how much of each cost is allocated to Memorial University, Rate 2.4 customers, all General Service customer classes, and all customers served by Newfoundland Power.

CA-NP-157

Newfoundland Power states (CA-NP-181 pertaining to the 2024 Capital Budget Application) "*if Memorial University were to be directly assigned all costs associated with its service from MUN Substation, consideration would have to be given to whether it remained appropriate for Memorial University to continue to pay a rate that recovers a portion of costs associated with substations, transformers, and distribution equipment that are used to serve other customers in the General Service Rate #2.4 customer rate class.*"

a) Why did Newfoundland Power not provide such consideration during the review process for the 2024 Capital Budget Application? Was Newfoundland Power not familiar with its cost of service study and rate designs at that time?
b) Does Newfoundland Power believe that if Memorial University is directly assigned all costs associated with service from MUN Substation that it should not be required to pay a rate that recovers a portion of costs associated with equipment that is used to serve other General Service Rate 2.4 customers? Please explain.

c) Is Memorial University currently paying a rate that recovers costs for facilities that provide no benefit to Memorial University?
d) Does Newfoundland Power believe that if Memorial University is directly assigned all costs associated with service from MUN Substation that it should not be required to pay for common facilities that benefit many customers on the system including itself?
e) Please identify all costs and customer allocations for facilities included in the cost of service study that benefit only one customer but are being recovered from customers other than the benefitting customer.

CA-NP-158 Please provide cost of service study results for a case where all costs for facilities that benefit only one customer are removed, and provide a comparison of the revenue requirement assigned to each customer class for the case assumed in the application to the case outlined in this scenario.

CA-NP-159 Newfoundland Power states with respect to the Roycefield Tap (RFD) Substation and Transmission line (CA-NP-156 pertaining to the 2024 Capital Budget Application) "*Newfoundland Power owns the Roycefield Tap ("RFD") Substation and Transmission Line 104L that extends from RFD Substation to the customer's electrical equipment at the mine site. To connect to Newfoundland Power's electricity system, the customer was required to pay a Contribution in Aid of Construction towards the construction of RFD Substation and Transmission Line 104L.*" The response goes on to say, "*The Rate #2.4 customer served by the RFD Substation is not served from another substation.*"

a) Do the Roycefield Tap (RFD) Substation and transmission line form a redundant supply?
b) Are the Roycefield Tap Substation and transmission line connection facilities?
c) How are the costs of the Roycefield Tap Substation and transmission line recovered from customers in the cost of service study?
d) Please identify all transmission facilities owned by Newfoundland Power are considered connection facilities and explain how the costs of these facilities are recovered from customers in the cost of service study.

e) Did any costs associated with connection facilities require a contribution in aid of construction from the benefiting customer? If so, please explain why.
f) How many customers does Newfoundland Power have that are served directly from the transmission system?

CA-NP-160 In the Board's July 7, 2023 response to the Consumer Advocate's request for a re-hearing of the MUN-T2 Transformer Replacement project, the Board notes that Newfoundland Power's submission states "*Memorial University contributes the most revenue towards the cost of serving the General Service Rate 2.4 class.*"

a) Why is Memorial University contributing the most revenue towards the cost of serving Rate 2.4 customers?
b) Is the cost of service study flawed, and as a result, Memorial University is paying a rate that recovers more than the cost that the University imposes on the system?
c) Does the fact that Memorial University is contributing the most revenue toward the cost of serving the Rate 2.4 class a valid reason for not requiring a contribution in aid of construction from Memorial University for facilities that benefit only Memorial University?
d) What changes in the cost of service study are proposed by Newfoundland Power in this GRA to correct this problem?
e) Should the customer classes be restructured so that a more accurate rate can be developed for Memorial University? Should Memorial University be treated as a separate customer class to correct the problem that it is contributing the most revenue toward the cost of serving the Rate 2.4 class?
f) What criteria are used to classify a customer as a General Service Rate 2.4 customer and how does Memorial University fit the criteria?

CA-NP-161 In the Board's July 7, 2023 response to the Consumer Advocate's request for a re-hearing of the MUN-T2 Transformer Replacement project application, the Board states "*the Long Pond Substation is a redundant supply point which was fully funded on behalf of the customer as a special facility.*"

a) Was it? Please explain.
b) Please identify all facilities and costs associated with Long Pond Substation and the line(s) serving Long Pond

Substation both at the time of construction and since constructed in 2019, and confirm that none of these costs are included in the cost of service study, that none of these costs are included in Newfoundland Power's rate base and that no other customer on the system is contributing to these costs.

CA-NP-162 Fair and Non-discriminatory Rates

a) Does requiring a customer to pay for connection facilities that benefit only that customer violate long-standing regulatory principles that rates be fair and non-discriminatory?

b) Does not requiring a customer to pay for connection facilities that benefit only that customer violate long-standing regulatory principles that rates be fair and non-discriminatory?

c) Please identify all occasions in the past when Newfoundland Power has challenged Hydro's policy relating to specifically-assigned charges and explain why Newfoundland Power challenged the policy.

CA-NP-163 In P.U. 14(2023) (page 4) the Board states "*The Board notes that General Service customers are supplied through a single supply point which is included in Newfoundland Power's cost of service and funded by all ratepayers.*"

a) Please verify the accuracy of this statement, or correct as necessary.

b) Please provide evidence submitted by Newfoundland Power in support of this statement.

c) Specifically, what costs associated with General Service customer supply points are funded by all ratepayers rather than only General Service customers?

CA-NP-164 In P.U. 14(2023) (page 5) the Board states "*In addition Newfoundland Power's approved cost of service and customer rates do not currently provide for specifically-assigned charges for general service customers. Such a significant change would require a full review of Newfoundland Power's cost of service and customer rates with the input of stakeholders, likely in a general rate application.*"

a) Please confirm that in this GRA Newfoundland Power has proposed no changes to the cost of service study and proposed no provision for specifically-assigned charges.

Given the controversy raised by Hydro and the Consumer Advocate, please explain why.

b) If ordered by the Board to implement a policy on specifically-assigned charges, what would Newfoundland Power propose?

c) If ordered by the Board to implement a policy on specifically-assigned charges, what changes would Newfoundland Power make to its contribution in aid of construction policy?

d) If ordered by the Board to implement a policy on specifically-assigned charges, what changes would Newfoundland Power make to the cost of service study and how long would it take make such modifications?

CA-NP-165

Please confirm the following: i) the GAM substation serves 4,870 customers, 1,370 in the Gambo area via a single transformer GAM-Tl, and 3,500 via a single transformer GAM-T2 supplying the radial transmission line 115L, ii) the MUN substation serves 1 customer (Memorial University's St. John's campus) via two transformers, MUN-Tl and MUN-T2. There are two transmission lines supplying the MUN substation, 12L and 14L, iii) the OPL substation serves 1,800 customers (in the Old Perlican, Bay de Verde and Lower Island Cove areas) via a single transformer, OPL-T1, and iv) the ISL substation serves 1,100 customers in the Islington area via a single transformer, ISL-Tl. Please identify any General Service Rate 2.4 customers served by these substations and indicate if any of these customers will be expected to make a customer contribution toward the cost of any projects associated with refurbishing or modernizing these substations in the next five years.

CA-NP-166

It is stated (CA-NP-032 pertaining to 2024 Capital Budget Application) "*The supply point of any Newfoundland Power customer is considered the point at which the customer is metered. While multiple customers may receive service from the same substation, transmission line, distribution feeder, or other infrastructure, Newfoundland Power customers do not share a supply point.*"

a) Please verify the accuracy of this statement, or correct as necessary.

b) How does Newfoundland Power define a supply point?

c) How does Newfoundland Power define a metering point?

d) How does Newfoundland Power modify billing data when the metering point is not at the supply point?

CA-NP-167 With respect to the BIG and MUN Substations:

a) Does it generally cost the same to supply Memorial University load served from the MUN Substation as it does to serve the General Service Rate #2.4 customer served from the BIG Substation? How do costs differ?

b) Does Newfoundland Power believe that the connection facilities for Memorial University at the MUN Substation are comparable to the connection facilities that supply the Rate #2.4 customer served from the BIG Substation which serves a total of 1,334 customers from the distribution system? Please elaborate from the perspectives of reliability, cost and fairness. In addition, please explain what Newfoundland Power does in practice and why.

c) Newfoundland Power has proposed a capital spend of about $6 million at the MUN Substation equating to an expenditure of about $6,000,000 per customer. If Newfoundland Power were to spend a similar amount on the BIG Substation, would the expenditure equate to about $450 per customer ($6 million divided by 1334 customers)?

CA-NP-168 For Newfoundland Power's transmission assets please provide a table identifying the following: acronym, description, common or connection facility, historical cost, life of asset, remaining life of asset, depreciated value included in the cost of service study, allocation methodology, amount allocated to each customer class.

13. Volume 2: Cost of Capital: Expert Opinion of James Coyne-Return on Equity

CA-NP-169 Please confirm that the Concentric evidence was prepared by both Mr. Coyne and Mr. Trogonoski (C&T) and indicate their individual responsibility in preparing their report and who will deal with specific areas of cross examination.

CA-NP-170 Please confirm that C&T filed a report in Eastward Energy (EE)'s 2023 general rate application with the following summary results, and confirm that the equivalent results on page 3 of their current report indicates a range of 10.03% - 10.19% for a minor drop in their estimates of the fair ROE.

Appendix 4 - Eastward Cost of Capital

Figure 1: Summary of Mean Results[1]

	CANADIAN UTILITY PROXY GROUP	U.S. GAS PROXY GROUP	NORTH AMERICAN UTILITY PROXY GROUP
CONSTANT GROWTH DCF	11.81%	9.99%	10.44%
MULTI-STAGE DCF	10.16%	8.74%	9.12%
CAPM	10.41%	10.22%	10.22%
RISK PREMIUM MODEL[2]		10.12%	10.12%
AVERAGE	**10.8%**	**9.8%**	**10.0%**
RISK PREMIUM RANGE		1.0-2.5%	
RECOMMENDATION		**10.8-11.3%**	

CA-NP-171 Further to the above question please indicate:

a) What changes have been made to the three estimation techniques in this report used by C&T, that is, their constant growth, multi-stage DCF, average CAPM and risk premium models and the composition of their samples.

b) In this report C&T provide a summary of alternative results using an historical market risk premium (Figure 2) with estimates that are approximately 1.0% lower, which they characterise as "conservative" and which they apparently rely on. Please indicate when they started structuring their evidence with this alternative "conservative" set of estimates, why they did not present this in their Eastward Energy evidence in 2023 before the NSUARB and whether they intend to continue relying on these conservative estimates in future reports on Canadian utilities.

CA-NP-172 In Mr. Coyne's report on Newfoundland Power in 2021 there is no mention of Mr. Trogonoski in preparing or co-authoring Concentric's report. Was Mr. Trogonoski involved and if so which areas of the report did he assist Mr. Coyne?

CA-NP-173 Mr. Coyne's summary in his report on Newfoundland Power in 2021 (page 3) follows. Mr. Coyne stated that a reasonable range for the estimates was 9.44% to 10.56% with an average

of 10.0% from which he recommended a fair ROE for Newfoundland Power of 9.8%. Is it fair to say that C&T's average estimates from the Canadian regulated sample are now 1.20% lower than Mr. Coyne's 2021 average, 0.19% lower for the US electric sample and somehow 0.03% higher for the North American sample?

Figure 1: Summary of Results[1]

	Canadian Regulated Utilities	US Electric Utilities	North American Electric Utilities	Average
CAPM	10.43%	10.91%	10.56%	10.6%
Constant Growth DCF	12.47%	9.82%	10.02%	10.8%
Multi-Stage DCF	10.86%	9.48%	9.44%	9.9%
Risk Premium		9.74%		
Average	11.3%	10.0%	10.0%	10.4%

CA-NP-174

The following is a comparison of the "average" results from Figure 1 of Mr. Coyne's 2015, 2018 and 2021 reports on Newfoundland Power and C&T's current report:

	2015	2018	2021	2023
CAPM	9.8%	9.33%	10.60%	10.4
Constant growth DCF	10.7%	9.85%	10.80%	10.2
Multi-stage DCF	9.6%	9.47%	9.90%	9.7
Average:	10.1%	9.55%	10.40%	10.1

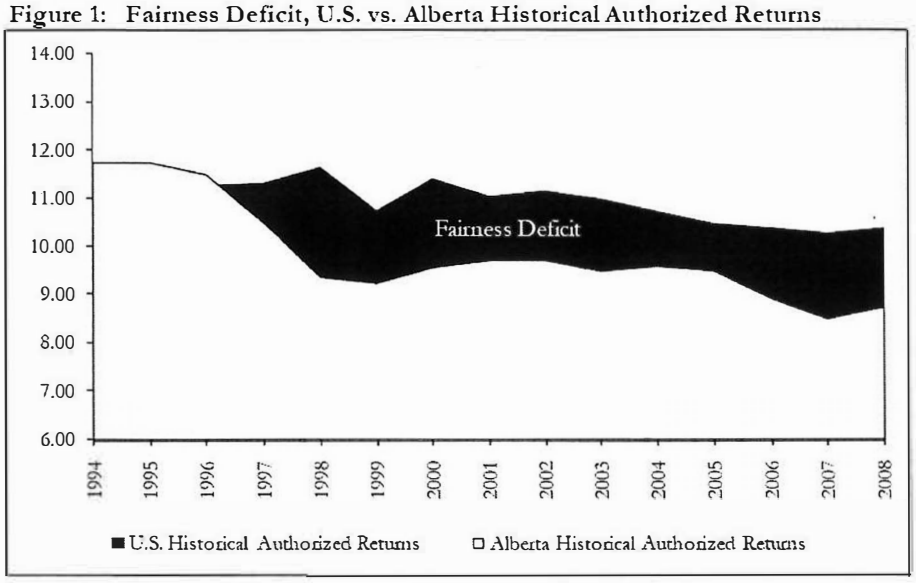
a) Please confirm that these averages are correctly reported and that it is C&T's judgment that using Mr. Coyne's consistent estimation techniques from his past reports the fair rate of return is 0.30% lower currently than in 2022 and the same as in 2015 when the ROE was set at 8.50%.

b) Given that in 2018 and 2021 the ROE was settled at the same value as set by the Board in 2015 would C&T judge that the current 8.5% allowed ROE is fair and reasonable and that an allowed ROE of 8.5%, or 1.9% lower than that derived from their "normal" estimates in 2021 (10.40% above) is reasonable? Why or why not?

c) Would C&T agree that the 8.5% settlement ROE in 2021 was 1.3% lower than its recommendation of 9.80% and that a deviation of 1.3% lower than its recommended ROE is within the bounds of reasonableness? If not why not?

CA-NP-175 Before the AUC in 2009 testimony Mr. Coyne produced the following graphic comparing authorised (allowed) ROEs by the Alberta Utilities Commission with authorised ROEs in the U.S.

Figure 1: Fairness Deficit, U.S. vs. Alberta Historical Authorized Returns



a) Can Mr. Coyne provide the underlying data used to generate this graph?
b) Would Mr. Coyne confirm that the difference is less than 2.0% similar to the difference between Newfoundland Power's current allowed ROE of 8.5% and C&T's own recommendations and estimates?
c) Would Mr. Coyne confirm that in 1994, 1995 and 1996 it is his judgment that the allowed ROE set by the AUC was the same as that in the US? If not, why not?
d) Has Mr. Coyne ever stated that a decision of a Canadian regulator such as the Ontario Energy Board or the AUC, for example, violates the fair return standard which is the implication of a "fairness deficit"?

CA-NP-176 With respect to the paragraph on page 8 that refers to the three standards for a fair ROE and the need for a "favourable" credit rating (line 9) for Newfoundland Power.

a) Please define "favourable" and whether C&T regards this as consistent with the Board's statement in 2016 that rates should be set to "*enable the utility to earn a just and reasonable return so that it is able to achieve and maintain a sound credit rating in the financial markets of the world.*"
b) Is Mr. Coyne aware of any Canadian statutes or decisions of the Supreme Court of Canada that have interpreted the requirement to maintain a utility's financial integrity and credit in terms of a particular credit rating?
c) Since many US utility holding companies have some form of investment grade BBB credit rating would Mr. Coyne judge such a rating as consistent with the fair return standard and a sound credit rating? If not, why not?

CA-NP-177

If a utility is unable to obtain a particular credit rating, for example due to size, is it Mr. Coyne's judgement that the allowed ROE or capital structure should be set at an unjust or unreasonable level to obtain such a rating? In other words which is more important: setting just and reasonable rates or targeting a particular credit rating? Has Mr. Coyne ever testified on behalf of a Canadian utility that was unable to obtain an investment grade credit rating and if so, why was the rating unattainable?

CA-NP-178

Would Mr. Coyne accept the basic justification for regulating utilities is that they are natural monopolies and would otherwise charge unjust and unreasonable rates so, effectively, regulation is a surrogate for competition? Further, are there many competitive firms that do not have "favourable" credit ratings?

CA-NP-179

With respect to the stand-alone principle (page 8), is the requirement for just and reasonable rates satisfied if the parent of Newfoundland Power (Fortis) requires Newfoundland Power to borrow under its own name rather than the policy of ATCO subsidiaries in Alberta borrowing at the parent level and mirroring the costs down to its regulated subsidiaries? That is, if the parent imposes on its regulated "stand-alone" subsidiary policies that result in higher costs does that satisfy the legal requirement that rates be fair and reasonable even if they are the utility's actual costs?

CA-NP-180 With reference to capital structure and ROE (page 7) please confirm that if the capital structures of two utilities are set at different levels to equalise risk, then they can both be allowed the same ROE even though their capital structures are different. For example, the National Energy Board in 1994 set gas pipelines at a 30% common equity ratio and oil pipelines at 45%, so both could be allowed the same ROE through the NEB's automatic ROE adjustment formula. If not, why not?

CA-NP-181 With reference to capital structure and ROE (page 7) please confirm that C&T is aware of the following passage from the Supreme Court of Newfoundland and Labrador Court of Appeal (1998) that dealt with Section 101 of the Public Utilities Act.

> [137] An alternative to actual intrusion into the utility's financial affairs in the form of a direction as to how the enterprise should be structured is for the regulator, for the purpose of setting rates, to base its estimates of the cost of capital on a hypothetical appropriate capital structure, thereby disregarding the utility's actual capitalization [see footnote 94]. The justification for this approach is given by Phillips who, citing other authors, states:
>
> > "Locklin has argued that most commissions 'disregard actual capital structures and set up an ideal or normal structure for the purpose. To do otherwise would burden the public with the higher costs of obtaining capital that result from a capital structure that is something less than ideal, and may, in fact, be quite unsound'. And Rose argues: 'When a commission in determining cost of capital disregards the actual capital structure or a capital structure proposed by management it is no more invading the domain of management than when it disregards unreasonable expenses for labor, fuel, or other productive factors in prescribing rates'." [see footnote 95]

CA-NP-182 In Figure 34 C&T shows the authorised common equity ratios for 7 US T&D utilities and in Figure 33 the deemed equity ratios for 5 Canadian electric companies. Please explain the difference between authorised and deemed common equity ratios.

CA-NP-183 In Figure 3 compare key economic assumptions at the time of their 2021 and 2023 reports. Given that the 2021 8.5% ROE was set through a settlement approved by the Board, please provide the equivalent data for a comparison between 2015 and 2023 since the allowed ROE in 2015 was set by the Board.

CA-NP-184 Please extend Figures 4 and 5 back to 2014, so that the situation at the time the ROE was last set through a hearing can be assessed.

14. Volume2: Cost of Capital: Expert Opinion of James Coyne- Capital Structure and Risk Profile

CA-NP-185 On page 24 Mr. Coyne reports the State Street investor confidence index.

a) Why is this relevant to Canada or Newfoundland and Labrador?

b) Is Mr. Coyne aware of any Canadian measures of business or financial confidence that might be more relevant to Canada?

CA-NP-186 Please provide a listing of all countries with the same ranking as Canada and the US in Figure 17 and whether on this basis Mr. Coyne would regard their capital market data as of equivalent value to the US data in assessing the fair rate of return for a Canadian utility.

CA-NP-187 In the discussion of interest rates and the integration of US and Canadian capital markets, nowhere do C&T graph the yields on long (30 year) bonds issued by the US Treasury and those issued by the Government of Canada since 2000. Please estimate the average difference between these two government bond yields since 2000 and whether it is greater or less than the 10-year yield difference. What does the fact that US interest rates are higher than those in Canada say about the base for the risk premium and other fair return models, that is, what justification is there for treating US estimates as identical to Canadian estimates when the objective fact is that US interest rates are higher and have been for a significant period of time?

CA-NP-188 In terms of C&T's Canadian sample:

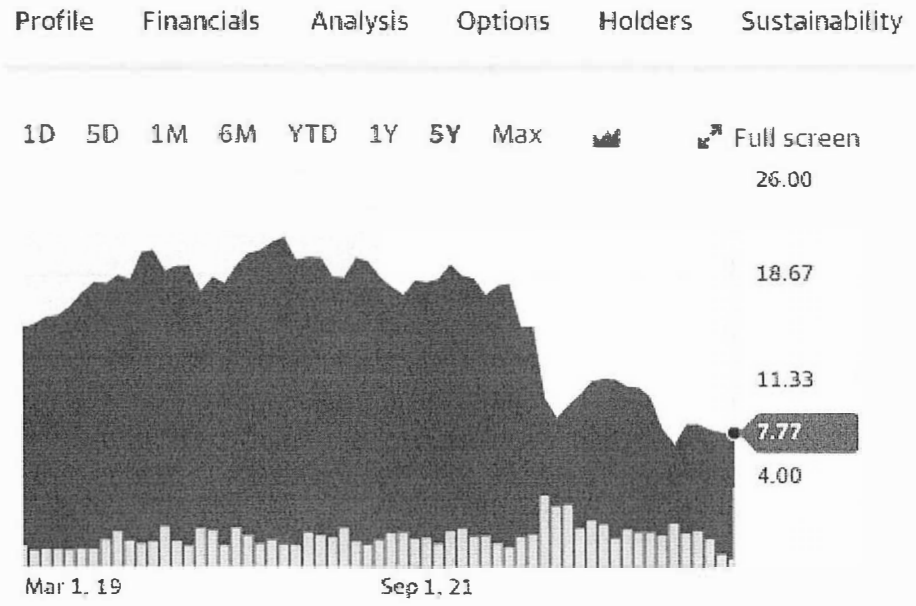
a) Please discuss AltaGas' exposure to electricity earnings and whether its utility operations are in the US or Canada.

b) For how long has Mr. Coyne and C&T been including AltaGas in their Canadian sample? Please indicate whether the AltaGas in this sample is the same AltaGas covered in previous decisions by the Alberta Utilities Commission and

whether in Table 19 AltaGas's % of Canadian operations relate to rate of return regulated utility assets.

CA-NP-189 Please confirm that Enbridge like TC Energy is primarily a pipeline and is not a utility regulated on a cost of service basis like Newfoundland Power. Please confirm that in its 1994 decision that set common equity ratios the National Energy Board allowed the mainline gas transmission utilities a 30% common equity ratio and the oil pipelines, like Enbridge, 45% due to their higher business risk.

CA-NP-190 Please confirm that Algonquin Power and Utilities Corporation (AQN) lost $308 million from continuing operations with a non-operating loss of $723 million in 2022 and its stock price essentially halved as below. Would AQN meet the criteria listed on pages 30-31 and is it C&T's judgment that AQN is a comparable risk utility to Newfoundland Power?



CA-NP-191 Please explain why Newfoundland Power's parent Fortis is not included in the Canadian sample and whether or not it would be included in a C&T Canadian regulated sample in a report for another Canadian utility.

CA-NP-192 In terms of C&T's US sample, please provide the Value Line "one page summary" of the full sample of 36 US Electric utilities they follow and the reasons for excluding each one when narrowing down to the sample in Figure 20.

CA-NP-193 In terms of C&T's US sample please provide the percentage of generation for each utility and the percentage of generation in plant and equipment coming from nuclear power plants. In C&T's judgement is generation an important part of business risk comparisons for US utilities? Why or why not? Please indicate whether in any Canadian evidence a Concentric witness has made adjustments to the results for his/her US proxy sample due to "generation" risk in a comparison for a Canadian T&D company, for example, before the Regie in Quebec.

CA-NP-194 Newfoundland Power's 2023 issue credit ratings are DBRS A and Moody's A2. Please provide the issue ratings by which the holding companies in C&T's Canadian sample in Figure 18 and US sample in Figure 20 access the capital market.

CA-NP-195 C&T (page 32) states that Canadian regulators have "accepted" the use of US data and proxy groups to estimate the allowed ROE for Canadian firms. Please provide statements from Canadian decisions that have used US estimates without any statement of the need for adjustments or judgment in determining the fair ROE for a Canadian regulated utility. That is, while this Board has consistently downward adjusted ROE evidence from US utilities, has any Board explicitly stated that no adjustment is needed when using estimates from the US?

CA-NP-196 In terms of the cost of equity capital estimation techniques, can Mr. Coyne provide any information on what percentage of firms use DCF versus CAPM estimation techniques? Is he aware of any published survey results over the last 25 years that have looked at this? Are there any results specifically aimed at rate of return regulated versus non-regulated firms?

CA-NP-197 For the DCF equation on page 35 please explain how the constant growth formula (equation 2) is derived from the general formula (equation 1). That is, what assumptions are required to go from the general to the specific, or does C&T judge all the assumptions on page 35 to be necessary? Is it

C&T's judgment that the equation 2 on page 35 is appropriate for all firms or just a subset of firms that satisfy the mathematical assumptions for the DCF formula? Please provide any references to graduate finance textbooks that justify C&T's answer.

CA-NP-198 C&T on page 36 state "*it is reasonable to assume that dividend increases will be evenly distributed over calendar years*". Is it reasonable to assume that dividend increases are evenly distributed within the year as equation 3 assumes?

CA-NP-199 Can C&T confirm that the global settlement referenced on page 38 dealt with analyst fraud not the optimism bias. Is C&T aware of any academic publications on analyst bias after the 2010 paper referenced on page 38?

CA-NP-200 Is it C&T's judgment that utility earnings can grow at 1.28% more than GDP growth for the time period required for the assumptions to go from equation 1 to equation 2 to be satisfied? Please be explicit since it might be a reasonable assumption that the short term (less than 5 year) analyst earnings forecasts are simply 1.28% over optimistic in terms of their long run forecasts.

CA-NP-201 Please provide the full Consensus economics forecasts referenced on page 40 and any updates that are now available.

CA-NP-202 Please provide the underlying data used to generate the statistics in Figure 22, that is, for each company provide the underlying dividend per share, book value per share and earnings per share data as well as the relevant GDP used for each year back to 2008. Please explain whether the earnings series is as reported in each firm's financial statements or whether Value Line has "adjusted" them and explain the individual adjustments. Why is the start date 2008?

CA-NP-203 Please provide the Value Line book value per share, dividends per share and earnings per share for each of the utilities in Value Line's electricity sample and indicate whether any of the excluded firms have previously been used by Mr. Coyne (or any Concentric witness) in a proxy sample.

CA-NP-204 Please confirm that any difference between the constant and multi-period DCF model is due to a difference between the short-term growth rate and the GDP growth rate used in the multi-stage (period) model and that the use of a multi-stage model is to temper any short-term analyst optimism. If not, why not?

CA-NP-205 On page 38, C&T reference research from 2010 that the median analyst forecast growth rate bias has declined significantly. Please confirm that "declined" does not mean "removed" and indicate the size of the remaining bias, and whether more recent research has documented any changes in the bias since stock markets recovered after 2010.

CA-NP-206 In a June 19, 2014 Decision (Opinion 531, paragraph 33) the US Federal Energy Regulatory Commission (FERC) pointed out that as long ago as 1983 it stated that short term growth rates from investment advisory services cannot be relied on. It therefore felt that "*the constant growth DCF model requires (emphasis added) consideration of long-term growth projections*." Has Mr. Coyne or Mr. Trogonoski provided a recent cost of equity report before the FERC and if so, do they agree with this decision of the FERC?

CA-NP-207 Can C&T confirm that if short-run growth forecasts cannot be relied on then mixing them with a long run growth rate in a multi-stage estimate reduces the bias, but cannot remove it? If C&T disagrees with this conclusion, please explain why in detail.

CA-NP-208 In the FERC decision referenced in an earlier RFI, the FERC indicated (paragraph 39) that "*short term growth estimates will be based on the five-year projections reported by IBES.*" In Mr. Coyne's Exhibit JMC-4 can he confirm that the growth projections in his report are all at most five-year growth estimates, rather than for a shorter time period and provide the documentary support?

CA-NP-209 For the Canadian companies in JMC-4 there are no growth forecasts for many of the firms. For the 6 firms, Zacks has two forecasts, SNL 5, Value Line 2 and First Call all six. For each of these forecasts can C&T list the number of analysts who provided the estimates and confirm that the analysts polled

were based in the US and generally not the Canadian market? Given that Value Line forecasts double digit growth for Emera and Enbridge with others having low single digit growth, is C&T's judgment that these estimates are widely available in the market and can be relied on by the Board?

CA-NP-210 Mr. Coyne explains (page 44) that he uses "*Bloomberg Beta estimates based on parameters entered by the user*." Instead of entering an adjustment, please provide the beta estimates without an adjustment using the same Bloomberg data for both weekly and monthly stock returns Please confirm that the returns have been adjusted for dividend payments and represent total returns, not just price returns.

CA-NP-211 Mr. Coyne states (page 43) that "*empirical studies have provided evidence that individual company beta is more likely than not to move toward the market average of 1.0 over time*." Please provide citations to these studies, references to any graduate textbooks in finance that discuss such procedures, and any published work based specifically on public utilities. Please indicate if C&T are aware of any published research that shows that utility betas do not adjust toward 1.0 and provide the relevant citations.

CA-NP-212 Please confirm that C&T's betas are based on weekly data and that such estimates are often regarded as biased due to thin-trading problems. Please indicate whether C&T are aware of any published academic research that analyzes this "intervalling" effect that for relatively high valued firms like utilities the betas are biased high the shorter the interval they are estimated over, for example, weekly, rather than monthly.

CA-NP-213 Will Mr. Coyne agree that the "statistical" argument he uses on page 43 implies that utility betas move toward 1.0? If so, will he report the last time he has empirically observed a beta of 1.0 for a Canadian utility?

CA-NP-214 C&T reference the BCUC decision on page 45. Will C&T confirm that a panel has to make a decision based on the evidence before it and in that hearing there was no expert put forward by an intervener disputing the Blume adjustment procedure for utilities? Please confirm that the experts put

forward were all based in the US. If not, please indicate their residence and nationality.

CA-NP-215 C&T reference forward and historic estimated risk premiums. Please confirm that the historic risk premium estimates are 5.62% and 7.17% or a deviation of 1.45% whereas the forward-looking estimates are 4.85% versus 10.33% for a difference of 5.48%. Please explain why the Board should place any weight on C&T's forward looking risk premium estimates given the wide divergence between the two markets that C&T claim are integrated.

CA-NP-216 In terms of C&T's forward looking DCF estimates for the market derived at JMC-6:

a) Please confirm that the model used is the constant stage DCF growth model, that is, column 5 has the average dividend yield increased by half the growth rate in column 6, while column 7 has the average forecast growth rate. The resulting constant stage DCF growth model estimate for the Canadian market in column 8 is 8.36%.

b) If the Board accepts this market risk premium estimate, should it also accept the underling fair return on the Canadian capital market of 8.36% and then allow Newfoundland Power a fair return below that as a lower risk regulated utility?

c) For the DCF estimates C&T rely on Zacks, SNL, Value Line and First Call growth estimates, now in Column 10 the growth estimate is referred to as BEst long-term growth estimate. Please explain what BEst means. Is it another estimate or some average of other estimates?

d) Please confirm that for most of the firms in the TSX there is no long-term growth estimate or current dividend yield. Is it C&T's judgment that the constant growth model is valid for firms that do not pay a dividend or where there is no growth estimate?

e) If C&T were asked to estimate the fair return for Ballard Power, would they use an estimated growth rate of 47%, or Centerra Gold with a growth estimate of 60% or Cameco with 57%, Pan American Silver 116%, Eldorado Gold 56% or Bombardier 70.4%? Is it not obvious that these firms do not satisfy the assumptions of the constant growth model as their short-term growth rates are simply not sustainable for the long term?

CA-NP-217 Is C&T aware of the Credit Suisse annual by Dimson et. al. that looks at market risk premiums around the world and shows that they are all quite similar in developed markets even in the presence of large barriers to capital flows and that this is nothing to do with "integration" per se? If not please explain why not and if they agree please explain the value of averaging the US and Canada, rather than all the developed markets included in the Credit Suisse Annual as similar estimates from different markets.

CA-NP-218 Please confirm that the AUC in 2018 specifically rejected Mr. Coyne's forward looking market risk premium estimates since the growth rates were unrealistically too high.

CA-NP-219 Please provide the forward-looking DCF market risk premium estimate from the data in JMC-7 using a multi-stage DCF model. Can C&T confirm that unlike Canada most of the firms in JMC-7 do have short term growth forecasts, so that the procedure may be more acceptable in a US regulatory environment? If not why not?

CA-NP-220 Please confirm that in the historic market risk premium estimates on page 46 C&T use the "income" return or yield rather than the actual return of income plus capital gain or loss for the bond returns.

CA-NP-221 Please provide the market risk premium estimate for both the US and Canada:

a) Based on the standard methodology of total equity minus total bond total returns.
b) Please indicate when Mr. Coyne or Mr. Trogonoski first used the income (yield) return in the historic market risk premium estimate, rather than the standard total return for bonds.
c) Please provide any references to the academic literature that calculate the market risk premium in the same way that Mr. Coyne does.
d) Can C&T confirm that in its 2011 generic decision the AUC stated:

52. The Commission notes that long-term average data on achieved historical market risk premiums are usually

used to estimate the required market equity risk premium going forward

e) Can C&T confirm that by using the yield on long term debt rather than the return, they are not estimating what the AUIC referred to as the historical market risk premium?

CA-NP-222 C&T adds 0.50% for an issue cost and financial flexibility adjustment. Please provide all data relied on to estimate the costs that Newfoundland Power actually bears in raising equity capital from its parent Fortis. Is such an adjustment needed for Newfoundland Power when it is not raising equity capital, but instead returning it to its parent Fortis as dividend payments?

CA-NP-223 Is C&T aware that in the past, Canadian regulators such as the Ontario Energy Board have allowed an ROE less than the long Canada bond yield? If so, how does this fit with their risk premium analysis and the statement on page 48 that equity is riskier than debt and therefore requires a greater rate of return?

CA-NP-224 Can C&T confirm that in its risk premium analysis it is using allowed returns for US not Canadian utilities and that if US returns are consistently higher than in Canada by say a constant 2%, this will be reflected in their risk premium estimates? Further can it confirm that the use of allowed ROEs from US utilities has been specifically rejected by, for example, the AUC possibly because of the "fairness gap" that Mr. Coyne claims existed in 2009 because AUC allowed ROEs were so much lower than those in the US? Please provide the underlying data in machine readable form (Excel) so that C&Ts "risk" premium analysis can be verified.

CA-NP-225 With respect to C&T's risk premium analysis and graph on page 49:

a) Can C&T confirm that it is using the long Treasury yield in both the risk premium and as an independent variable, that is, they are on both sides of the equation? Please re-run the regression equation as the allowed ROE against the long Treasury yield and provide the results. Please provide all the underlying data to replicate Figure 30 in machine readable form (Excel).

b) Please confirm that the automatic ROE mechanism used by the Board before 2012 automatically included an inverse

relationship between the ROE and forecast long Canada yield by the 75% adjustment rate.

CA-NP-226 At pages 51-52 C&T reference the Board's 2016 decision to maintain Newfoundland Power's 45% common equity ratio. Did C&T check Fortis 2023 AIF where the following graphic indicates that Newfoundland Power has 274,000 customers, but Maritime Electric (PEI) only has 88,000 and Fortis Ontario 68,000, both of which operate with a 40% common equity ratio while Fortis BC electric is smaller at 188,000 customers but has significant generating facilities? Do C&T regard Newfoundland Power as a "small" utility and if so, how do they regard FortisBC Electric, Maritime Electric and Fortis Ontario?

Annual Information Form

Summary of Operations

The following table and sections describe the Corporation's operations and reportable segments.

	Customers	Peak Demand [1]	Electric T&D Lines (circuit km)	Gas T&D Lines (km)	Generating Capacity (MW)	Revenue ($ millions)	GWh Sales	Gas Volumes (PJ)	Employees
Regulated Utilities									
ITC	—	22,971 MW	25,800	—	—	1,906	—	—	726
UNS Energy	712,000	2,949 MW 111 TJ	23,500	5,100	3,328	2,758	16,059	16	1,994
Central Hudson	380,000	1,109 MW 149 TJ	15,100	2,400	65	1,325	5,002	25	1,130
FortisBC Energy	1,076,000	1,562 TJ	—	51,200	—	2,084	—	231	2,061
FortisAlberta	584,000	2,767 MW	90,200	—	—	680	16,923	—	1,138
FortisBC Electric	188,000	835 MW	7,300	—	225	487	3,542	—	556
Other Electric									
Newfoundland Power	274,000	1,254 MW	11,500	—	143	735	5,785	—	660
Maritime Electric	88,000	292 MW	6,600	—	90	236	1,391	—	219
FortisOntario	68,000	257 MW	3,500	—	5	224	1,343	—	222
Caribbean Utilities	33,000	114 MW	810	—	166	354	674	—	253
FortisTCI	17,000	46 MW	700	—	86	103	277	—	155
Non-Regulated									
Energy Infrastructure	—	—	—	—	51	151	225	—	76
Corporate and Other	—	—	—	—	—	—	—	—	52
Total	3,420,000	32,594 MW 1,822 TJ	185,010	58,700	4,159	11,043	51,221	272	9,242

CA-NP-227 Please confirm that S&P will not rate an operating subsidiary's debt higher than the parent unless there are exceptional reasons, such as ring fencing the sub or the use of first mortgage bonds.

CA-NP-228 Can Mr. Coyne confirm that he checked Newfoundland Power's security filings to see whether Newfoundland Power has informed investors of any changes in its risk profile since

2015? If so, please provide any extracts from such filings that indicate increased business risk for Newfoundland Power.

CA-NP-229 C&T claim on page 54 that Newfoundland Power's fixed debt obligations reduce its financial flexibility and reference the Covid 19 induced disruption in markets. Did C&T discuss with Newfoundland Power its financial market access and did Newfoundland Power provide them with any specific incidences where Newfoundland Power was shut out of the capital market and unable to finance its operations? If so, please provide the supporting documentation that was given to C&T.

CA-NP-230 C&T reference Dr. Roger Morin and the increased risk from using debt financing (page 54, and footnote 75). Are C&T aware that Dr Morin regularly provides expert testimony on behalf of utilities? Would C&T agree that a utility with extensive deferral accounts that very rarely suffers a below regulated ROE has, by definition, not suffered any business risk that its debt financing has magnified?

CA-NP-231 In Figure 34 C&T report the common equity ratios of a sample of regulated operating companies. Please confirm that these utilities have no traded equity in the public markets and are not directly used in C&T's fair return estimates. Further the holding companies that access the financial market usually issue debt that is one level removed from the operating companies and so pay a higher cost than the operating companies? Can C&T confirm that S&P for example, will not rate an operating company higher than a holding company unless it is functionally insulated from the actions of the parent?

CANP-232 For the US companies listed in Figure 34 please indicate the deemed common equity ratios and reference the decisions that deemed these common equity ratios. Alternatively, if the regulators do not set these common equity ratios but simply approve them, please indicate whether Mr. Coyne judges this to be a material difference to Newfoundland Power.

CA-NP-233 For the US companies listed in JMC-11 it appears that they have more equity than Newfoundland Power. If they also have higher allowed ROEs why is it that they all have lower bond

ratings than Newfoundland Power? Should not a higher common equity ratio and allowed ROE imply a higher bond rating, except if they were also of higher risk?

CA-NP-234 For all the US holding companies in JMC-11, please provide their actual unadjusted earned ROE for each year since 2000.

CA-NP-235 For the US companies listed in JMC-13 a large number have historic test years. Can C&T provide their judgment as to whether historic test years are riskier than forward test years? Further, what is the typical frequency of review for firms on historic test years?

CA-NP-236 Concerning the discussion about Newfoundland Power's business risk mirroring that of the company:

a) Please indicate the timing of the meetings that took place between Concentric and Newfoundland Power staff (both face and by conference call).
b) Please provide copies of all materials that Newfoundland Power passed to Concentric to brief them on Newfoundland Power's business risk that are not already filed.
c) Please indicate any substantive differences in the judgement of Newfoundland Power and C&T in terms of Newfoundland Power's business risk.
d) Please indicate any substantive changes since Mr. Coyne's 2015 business risk evidence on Newfoundland Power.

CA-NP-237 Please provide a copy of all electric industry reports by DBRS, S&P or Moody's over the past ten years and indicate whether a carbon tax on alternative fuel sources such as fuel oil, propane etc., increases or decreases an electric utility's business risk.

CA-NP-238 At Figure 39 C&T compares residential electric bills across 6 Canadian jurisdictions:

a) Why were these specific locations chosen? Why for example are Ontario and Quebec ignored?
b) It appears from Figure 39 that electricity is cheaper in Newfoundland than the comparators. Has C&T estimated or been provided by Newfoundland Power a demand study indicating how high electricity prices can go in Newfoundland before Newfoundland Power loses a

significant number of customers and experiences an inability to recover its costs?

c) It appears from Figure 39 that Newfoundland Power's residential rates could increase by 63% before reaching Fortis Alberta's level, where Fortis Alberta is currently allowed a 37% common equity ratio by the AUC. On what basis is Newfoundland Power riskier than Fortis Alberta when it is larger, residential users have lower electricity costs reducing the stranded asset risk, and faces no competition risk from natural gas?

CA-NP-239 Please confirm that Mr. Coyne's risk assessment of Newfoundland Power is based on an assessment for the test years 2025 and 2026 and nowhere in this discussion of Newfoundland Power's business and regulatory risk have they analysed Newfoundland Power's ability to earn its allowed ROE, which is ranked as the most important factor by Moody's in their credit rating.

CA-NP-240 Given the importance of the recovery of power costs, can Mr. Coyne provide copies of all demand studies relied on to indicate there may be problems in recovering the higher cost of Muskrat Falls power supply? In particular, what studies of the price elasticity of demand for electricity in Newfoundland and Labrador did Newfoundland Power provide, or Mr. Coyne consult, in the preparation of his report?

15. Volume 2: Cost of Capital: Expert Opinion of James Coyne- Automatic Adjustment Formula

CA-NP-241 C&T state that Concentric has examined the use of automatic ROE formulae (page 85) and judge that the relationship between equity and bond returns cannot be fully anticipated by historical relationships.

a) Please indicate whether off ramps from an ROE adjustment formula as originally specified can moderate this judgment and ensure that the ROE is always fair.

b) In terms of intervention is there a bias that an unfairly low ROE can always be addressed in a periodic GRA by the company, whereas an unfairly high ROE requires a well financed intervener to initiate a hearing, where at no time since 2008 has the OEB had a hearing into its ROE formula

despite long periods of being "generous" relative to the ROE awarded in litigated hearings?

c) Is it C&T's opinion that a formulaic ROE between regular three-year GRAs generates more risk to shareholders than a fixed ROE between the same three-year GRAs?

d) At times it has been argued that a formulaic ROE converts utility shares into a form of preferred shares and lowers utility risk. Since the yield on preferred shares is more objective than the return on common shares does this reduce regulatory risk?

16. General

CA-NP-242

In Newfoundland Power's Nov 9, 2023 media release relating to the GRA, it is stated that an average rate increase of 1.5%, or $1.50 on a $100 electricity bill is proposed effective July 1, 2024, and an average increase of approximately 5.5%, or $5.50 on a $100 electricity bill is proposed effective July 1, 2025. The media release goes on to say "*We know that these are challenging times for our customers and we understand that reliable service at affordable rates is more important now than ever*" (Gary Murray, President and Chief Executive Officer, Newfoundland Power).

a) Please confirm that the quoted rate increases do not include future rate adjustments to collect revenue shortfalls in 2024, 2025 and 2026 that Newfoundland Power proposes to include in a deferral account for future recovery from customers. What would the rate increases be in dollar and percentage terms if Newfoundland Power were to collect the deferred amounts on July 1, 2024 and July 1, 2025?

b) Please confirm that this does not include other rate adjustments expected July 1, 2024 and July 1, 2025 such as the accumulated balance in the Rate Stabilization Account as of March 31st, 2024, and changes in the Utility Rate charged by Hydro to Newfoundland Power as a result of Hydro's Muskrat Falls Project Cost Recovery rider, the Rate Stabilization Plan and the Conservation and Demand Management Cost Recovery Adjustment. What would the rate increases be in percentage and dollar terms on July 1, 2024 and July 1, 2025 if these rate adjustments and the amounts in deferral amounts discussed in part (a) of this RFI are included?

c) What would the energy charge be in cents/kWh for Domestic customers on July 1, 2024 and July 1, 2025 if all rate adjustments discussed in part (b) of this RFI are included? Please freeze the basic customer charge at today's level.

d) Does Newfoundland Power agree that its press release of November 9, 2023, referred to above, understates the total average increase a customer will see on a $100 electricity bill effective July 1, 2024 and effective July 1, 2025, from all sources?

DATED at St. John's, Newfoundland and Labrador, this 15th day of February, 2024.

Per: 

Dennis Browne, KC
Consumer Advocate
Terrace on the Square, Level 2, PO. Box 23135
St. John's, Newfoundland & Labrador A1B 4J9

Telephone: (709) 724-3800
Telecopier: (709) 754-3800
Email: dbrowne@bfma-law.com