

Office of the Consumer Advocate

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March 22, 2024

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-243 to CA-NP-303.

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

Yours truly,



Stephen Fitzgerald, KC
Counsel to the Consumer Advocate

Encl.

/bb

cc **Newfoundland Power Inc.**
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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-243 to CA-NP-303**

Issued: March 22, 2024

- 1 CA-NP-243 (Reference CA-NP-001) Please confirm the following:
 2 a) Actual capital expenditures in 2021, 2022 and 2023 totaled
 3 \$412.9 million, or 19.3% more than the capital budget amount
 4 of \$346.0 million approved by the Board in the same time frame.
 5 b) The forecast change in the domestic class energy charge from
 6 2022 to 2025 is 26.4% (7.4%, 9.4% and 7.6%).
 7 c) The domestic class energy charge is forecast to increase from
 8 today's charge of 13.3 cents/kWh to 16.0 cents/kWh in 2026, an
 9 increase of 20.3%.
- 10
 11 CA-NP-244 (Reference CA-NP-004) With respect to customer trade-offs
 12 between cost and reliability:
 13 a) Is Newfoundland Power best described as a distribution
 14 company responsible for the operation and planning of the low
 15 voltage network of power lines, underground cables, substations
 16 etc. that deliver power to homes and businesses in its franchise
 17 area? If not, how is Newfoundland Power best described?
 18 b) Please provide a list and brief explanation of all documentation
 19 that Newfoundland Power uses to plan and operate its
 20 distribution system such as the Distribution Planning
 21 Guidelines, Schedule of Rates, Rules and Regulations, CIAC
 22 policies, etc.
 23 c) Please demonstrate the linkage between customer satisfaction
 24 and reliability used to assist in determining the appropriate
 25 balance between improved service and cost control.
 26 d) How can Newfoundland Power gain useful information
 27 concerning customer trade-offs between cost and reliability?
 28 e) Does Newfoundland Power believe that customer satisfaction
 29 levels would be improved noticeably if it could cut the average
 30 number and duration of interruptions in half?
 31 f) Does Newfoundland Power believe that customer satisfaction
 32 levels would deteriorate noticeably if its average number and
 33 duration of interruptions doubled?
 34 g) Does Newfoundland Power believe that its customers place a
 35 premium on an average SAIFI of 2 rather than 3 outages per year
 36 and/or an average SAIDI of 3 hours per year rather than 4 hours
 37 per year?
 38 h) Would there be an incremental savings if Newfoundland Power
 39 were to allow SAIDI to match to the Canadian average?
 40
- 41 CA-NP-245 (Reference CA-NP-006)
 42 a) Please explain why in Table 3 the annual system cost savings in
 43 2020, 2021 and 2022 are lower than in 2019.
 44 b) Please revise Table 3 by including 2023, 2024F, 2025F and
 45 2026F.

- 1 c) Do the cost-savings referred to in the response to CA-NP-006
 2 have any impact on Newfoundland Power's operating costs? If
 3 so, please indicate by how much for each year in the requested
 4 revised Table 3.
 5
- 6 CA-NP-246 (Reference CA-NP-007) With respect to the annual weighted labour
 7 rate increases given in footnote 1:
 8 a) Are these figures the same as what Newfoundland Power refers
 9 to as its labour inflation rate?
 10 b) Do those wage rate increases include explicit cost-of-living
 11 adjustments? If so, please indicate the cost-of-living adjustment
 12 for each year referred to in the footnote.
 13
- 14 CA-NP-247 (Reference CA-NP-008)
 15 a) What is the difference between Newfoundland Power's asset
 16 management process and its distribution planning process? How
 17 are the two processes correlated?
 18 b) Is it necessary to have two separate processes or could they be
 19 combined into one process?
 20 c) Does Newfoundland Power have a distribution code covering
 21 the following topics: customer connections, distribution network
 22 planning, distribution operations and retail metering?
 23
- 24 CA-NP-248 (Reference CA-NP-020) Please update Table 4 by providing the
 25 number of customers and energy sales for February 2024. If
 26 projections for March 2024 are available then please also provide
 27 those.
 28
- 29 CA-NP-249 (Reference CA-NP-023) Please provide a table that shows updated
 30 annual reductions in Newfoundland Power's operating cost, in
 31 nominal dollars, due to its LED street lighting replacement plan for
 32 the years 2021 to 2026F. If they have not been updated since the
 33 2021 Capital Budget Application, then are the operating cost savings
 34 represented by the "Maintenance Cost" figures in Newfoundland
 35 Power's 2021 Capital Budget Application, Volume 1, LED Street
 36 Lighting Replacement Plan, Appendix B, Table B-2?
 37
- 38 CA-NP-250 (Reference CA-NP-034)
 39 a) Please provide a table that shows annual reductions in
 40 Newfoundland Power's operating costs due to installation of
 41 AMR meters for the years 2013 to 2026F.
 42 b) What current federal or provincial government programs are
 43 available to Newfoundland Power that provide financial
 44 assistance for installation of AMI technology for its customers
 45 and has Newfoundland Power applied for any such funding?

- 1 CA-NP-251 (Reference CA-NP-056f) The response states that CA-NP-008 has
2 information relating to Newfoundland Power's distribution system
3 planning criteria. Is this the correct reference?
4
- 5 CA-NP-252 (Reference CA-NP-059) Please provide the calculation for the
6 wheeling rate.
7
- 8 CA-NP-253 (Reference CA-NP-086)
9 a) Has Newfoundland Power ever paid Fortis any issue costs
10 attached to any infusions of common equity from Fortis?
11 Further, Fortis has a dividend reinvestment plan where shares
12 can be purchased at a 2% discount. In the judgment of
13 Newfoundland Power is a 2% issue cost appropriate for any
14 equity issued by Fortis and then invested in Newfoundland
15 Power? If not, and bearing in mind the amount of equity
16 generated through retained earnings, what is Newfoundland
17 Power's best estimate of the after-tax cost paid to issue new
18 equity to Fortis?
19 b) Newfoundland Power notes it last issued shares to Fortis in 1994
20 at no cost and in answer to CA-NP-085 and CA-NP-084
21 declined to provide any information on the issue costs of its
22 parent Fortis. If there is no evidence presented in the hearing on
23 Newfoundland Power's issue or floatation cost, or those incurred
24 by its parent Fortis, how can such a cost be passed on to
25 Newfoundland Power's customers? In other words, what is the
26 basis for a floatation or issue cost that Newfoundland Power
27 wants its customer to pay when there are no data on the
28 magnitude of the cost?
29
- 30 CA-NP-254 (Reference CA-NP-094) Would a revised wholesale rate change
31 Newfoundland Power's proposal to revise the DMI account
32 definition?
33
- 34 CA-NP-255 (Reference CA-NP-098)
35 a) Did the Retail Rate Review conducted in 2010 include a review
36 of the suitability of rate classes?
37 b) Was the Retail Rate Review conducted in 2010 undertaken in-
38 house, or did Newfoundland Power employ an external
39 consultant to complete the review?
40 c) How long did it take to complete the Retail Rate Review
41 conducted in 2010 and how much did it cost?
42 d) Please define primary, secondary and transmission voltage
43 supply levels.
44 e) In Attachment A to CA-NP-030 (from the 2024 CBA) there are
45 three Rate 2.4 customers served at the 66 kV voltage level. Is

1 this still the case? Please provide an updated version of
 2 Attachment A to CA-NP-030 (from the 2024 CBA).

3
 4 CA-NP-256

(Reference CA-NP-106)

- 5 a) What would be the rate impact on customers in the Street and
 6 Area Lighting class if rates were set to recover 100% of costs?
 7 b) If the additional revenue from setting Street and Area Lighting
 8 rates to recover 100% of the cost of supply were used to reduce
 9 the revenue to be collected from the General Service Rate 2.1
 10 customer class, what impact would it have on the revenue to cost
 11 ratio and rate increase for this class?
 12

13 CA-NP-257

(Reference CA-NP-109) The response indicates that the Phase 1
 14 report for the Rate Design Review is expected to be circulated in the
 15 coming weeks.

- 16 a) Is Newfoundland Power now in possession of the Phase 1 report
 17 produced by the consultant?
 18 b) Specifically, when will the Phase 1 report be circulated to the
 19 parties for feedback?
 20 c) Is it Newfoundland Power's intent that the Phase 1 report be
 21 reviewed by the parties as part of this GRA?
 22 d) Will the Phase 1 report include a review of: i) the need for
 23 specifically-assigned assets, ii) the suitability of current rate
 24 classes, and iii) the cost of service study methodology?
 25 e) Please file for the record a copy of the scope of work for the
 26 Phase 1 report.
 27

28 CA-NP-258

(Reference CA-NP-117)

- 29 a) Does Newfoundland Power have an estimate of the marginal
 30 cost of demand and energy supply to each of its customer
 31 classes? Please file for the record a copy of the marginal cost of
 32 supply provided by Newfoundland Power to the consultant
 33 carrying out the Rate Design Review.
 34 b) Are losses the primary variant in the marginal cost of energy
 35 supply to Newfoundland Power's customer classes? What are
 36 the energy loss factors in percent at voltage levels used to supply
 37 Rate 1.1, Rate 2.1, Rate 2.3 and Rate 2.4 customer classes?
 38 c) What does Newfoundland Power use currently to value demand
 39 and energy differences between supply options? For example,
 40 how does Newfoundland Power value capacity and energy
 41 produced by its hydro generating stations, how are loss
 42 differences between supply options valued, etc? Please provide
 43 a breakdown by voltage supply level.

1 CA-NP-259

(Reference CA-NP-118)

- 2 a) Does Newfoundland Power have the information requested in
- 3 CA-NP-118? If not, why not? If so, why is it not being provided?
- 4 b) Would the provision of this information alter or otherwise taint
- 5 or cause delays in the ongoing Rate Design Review or Load
- 6 Research Study?
- 7 c) Has Newfoundland Power made this information available to the
- 8 consultant conducting the Rate Design Review?
- 9 d) Please confirm that Newfoundland Power is proposing changes
- 10 to its rates in this GRA.
- 11 e) Does the absence of proposals to change its rate designs in this
- 12 GRA mean that in Newfoundland Power’s opinion intervenors
- 13 and the Board are not allowed to consider or otherwise propose
- 14 changes to proposed rates?
- 15 f) Are the parties and the Board allowed to review aspects in the
- 16 GRA that relate only to specific proposals in the GRA?
- 17 g) Does the Board have the authority to direct Newfoundland
- 18 Power to alter, modify or implement a completely new rate
- 19 design even if Newfoundland Power has not proposed any
- 20 changes to its rate designs in this GRA and even though
- 21 Newfoundland Power is conducting a rate design review? Can
- 22 Newfoundland Power cite an occasion when the Board has done
- 23 so?
- 24 h) Does the Board have the authority to direct Newfoundland
- 25 Power to alter, modify or implement a completely new cost of
- 26 service study even if Newfoundland Power has not proposed any
- 27 changes to its cost of service study in this GRA, and even though
- 28 Newfoundland Power is conducting a rate design review? Can
- 29 Newfoundland Power cite an occasion when the Board has done
- 30 so?

31 CA-NP-260

(Reference CA-NP-118)

- 32 a) How long has it been since the Settlement Agreement pertaining
- 33 to the 2022-2023 GRA was signed, and what results stemming
- 34 from the Rate Design Review and the Load Research Study
- 35 agreed to in the Settlement Agreement are incorporated in this
- 36 GRA?
- 37 b) Does the Settlement Agreement pertaining to the 2022-2023
- 38 GRA preclude any discussion or action on rate design and cost
- 39 of service until Newfoundland Power decides it is time for such
- 40 discussions?
- 41 c) Does Newfoundland Power have internal rate design and cost of
- 42 service expertise or does it rely on external consultants for this
- 43 expertise?
- 44

- 1 d) Was the 2006 Load Research Program conducted in-house, or
 2 did Newfoundland Power hire an external consultant to
 3 undertake the study?
 4 e) Were the results of the 2006 Load Research Program
 5 incorporated in the cost of service study dated May 2007 and
 6 included in Newfoundland Power's 2008 GRA? How long did it
 7 take to complete the May 2007 cost of service study? Was the
 8 May 2007 cost of service study completed in-house, or did
 9 Newfoundland Power hire an external consultant to undertake
 10 the study?
 11

12 CA-NP-261

(Reference CA-NP-119)

- 13 a) Do the rates for the Street and Area Lighting class, or any
 14 customer class for that matter, reflect the unit costs derived in
 15 the cost of service study (fixed, demand and energy unit costs),
 16 or are rates designed to recover the revenue allocated to that
 17 class in the cost of service study?
 18 b) Please provide a comparison of each component of the unit costs
 19 derived in the cost of service study to the proposed rates for the
 20 Street and Area Lighting class.
 21 c) It is stated in Footnote 4 that in the 2022-2023 GRA the revenue
 22 to cost ratio for the Street and Area Lighting class was 105.3%,
 23 while in this GRA the revenue to cost ratio is 97.2%. Please
 24 identify and quantify the changes since the 2022-2023 GRA that
 25 led to the decrease in the revenue to cost ratio for this class.
 26

27 CA-NP-262

(Reference CA-NP-120) It is stated (part d) "*These limitations provide Newfoundland Power with the ability to curtail for the duration of a morning and evening peak.*"

- 28 a) Please define the morning and evening peak. Does this relate to
 29 the NL system as a whole, or only Newfoundland Power's
 30 system?
 31 b) Does the NL System Operator instruct Newfoundland Power
 32 when to interrupt Curtailable Service customers?
 33 c) Under what circumstances does Newfoundland Power interrupt
 34 Curtailable Service customers when not directed to do so by
 35 Hydro?
 36 d) Does Newfoundland Power believe that a credit of \$29/kVA
 37 adequately compensates Curtailable Service customers when the
 38 marginal cost of capacity is \$309.94/kW (Attachment A), and
 39 when Hydro is considering bringing on additional generating
 40 capacity owing to an expected capacity shortfall on the system?
 41
 42
 43

44 CA-NP-263

(Reference CA-NP-121)

- 45 a) Does Newfoundland Power use the Distribution Planning
 46 Guideline included in Attachment A to plan its distribution

1 system, or is this a standard document applicable to
 2 Newfoundland Power and Net Metering customers to guard
 3 against substandard customer connections that might lead to
 4 unreliability events impacting other customers? Are any other
 5 customers subject to this Guideline; e.g., customers directly
 6 connected to the system who choose to build and operate their
 7 own connection facilities?

- 8 b) Attachment B shows that the Banked Energy Credit of 18.165
 9 cents/kWh is well above the marginal cost of energy which
 10 Newfoundland Power indicates is in a range of 3 to 5 cents/kWh
 11 (Application pages 1-8 and 1-9). Given that Newfoundland
 12 Power believes that the wholesale rate should be updated to
 13 reflect the significant change in marginal costs, why has
 14 Newfoundland Power not proposed a similar change in the
 15 Banked Energy Credit?
- 16 c) How many Banked Energy Credits in kWh have been paid out
 17 each year since 2018 and at what cost?
- 18 d) It is stated (part f) "*The challenge of generating energy at a cost*
 19 *that is less than the energy that can be provided from the grid is*
 20 *a key constraint for customers.*" The reference in Footnote 7 is
 21 from 2018. Please provide a cost comparison of the costs of solar
 22 and wind in 2018 to the present.
- 23 e) Newfoundland Power is forecasting a cumulative rate increase
 24 of 19% by July 1, 2026 (CA-NP-140). How is this expected to
 25 impact the economics of Net Metering?

26
 27 CA-NP-264

(Reference CA-NP-122)

- 28 a) Does Newfoundland Power assist Net Metering customers with
 29 any necessary government authorizations and permits
 30 (Attachment A)?
- 31 b) Please file for the record copies of all complaints filed by Net
 32 Metering customers against Newfoundland Power.
- 33 c) Has Newfoundland Power ever entered a Net Metering
 34 customer's premises without notice? If so, were there
 35 repercussions?
- 36 d) Does Newfoundland Power equate the one-page Electrical
 37 Service Contract in Attachments B and C to an 8-page
 38 interconnection agreement such as that required of Net Metering
 39 customers in Attachment A?
- 40 e) Is the one-page interconnection agreement between
 41 Newfoundland Power and its Rate 2.4 customers that are directly
 42 connected to the transmission system at 66kV the same as the
 43 interconnection agreement required of a Domestic Class 1.1
 44 customer supplied at 220V?

1 f) Is a sub-standard 220V connection to the distribution system
 2 likely to have a similar impact on reliability as a substandard
 3 66kV connection to the transmission system?
 4

5 CA-NP-265

(Reference CA-NP-124) The response states “*Newfoundland Power is required to provide service to Memorial University in accordance the Public Utilities Act and its Schedule of Rates, Rules and Regulations approved by the Board. As a result, no “special guarantees” or connection agreements have been established.*”

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 9
 10 a) Is Newfoundland Power required to provide service to all
 11 customers in accordance with the Public Utilities Act and its
 12 Schedule of Rates, Rules and Regulations, or only Memorial
 13 University?

14 b) Is any customer “required” to complete an Electrical Service
 15 Contract, and if so, why not Memorial University? Do
 16 Regulations 3 and 4 of the Schedule of Rates, Rules and
 17 Regulations serve only as a “suggestion”?

18 c) Please provide an example of a “special guarantee”.

19 d) Are there binding contracts between Newfoundland Power and
 20 Memorial University with respect to Memorial and Long Pond
 21 Substations? Is there an individual at Memorial University who
 22 is liable for service as stated in Regulation 3c? If so, please
 23 provide the documentation.

24 e) Please provide the link for the application filed by
 25 Newfoundland Power on January 30, 2019. As requested in CA-
 26 NP-124, please file for the record copies of the Application for
 27 Service, the connection agreement, any “special guarantees” and
 28 all financial arrangements between Newfoundland Power and
 29 Memorial University leading up to the construction and
 30 commissioning of Long Pond Substation and associated
 31 facilities.

32 f) Does the Schedule of Rates, Rules and Regulations apply only
 33 to new customers, or existing customers as well?

34 g) It is understood that the Health Sciences Center at Memorial
 35 University is an acute care facility serving the people of the
 36 entire province, and that it is connected and shares services with
 37 the Janeway Children’s Health and Rehabilitation Centre and the
 38 Dr. H. Bliss Murphy Cancer Centre
 39 (<https://www.easternhealth.ca/facilities/health-sciences-centre/#:~:text=The%20Health%20Sciences%20Centre%20is,of%20Medicine%2C%20Pharmacy%20and%20Nursing>). Who
 40 is responsible for ensuring supply adequacy and reliability at the
 41 hospital?
 42

43
 44 h) Would the medical facilities be better represented if the
 45 University were categorized as a distribution company and
 46 subjected to regulatory oversight by the Board?

- 1 CA-NP-266 (Reference CA-NP-125) CA-NP-030 (from 2024 CBA) indicates
2 that Memorial University is supplied at 66kV. Why are the delivery
3 and metering points located on the secondary side of the
4 transformers at the Long Pond and MUN Substations when power
5 is delivered to Memorial University at the high side of the
6 transformers? Are loss adjustments made to the University's
7 electricity bills?
8
- 9 CA-NP-267 (Reference CA-NP-129) Are there any distribution facilities owned
10 by Newfoundland Power between MUN-T1/MUN-T2 and the point
11 of supply at Memorial Substation?
12
- 13 CA-NP-268 (Reference CA-NP-137)
14 a) Please identify jurisdictions in Canada and elsewhere that
15 recover the costs of facilities that benefit only one customer from
16 customers who do not benefit from the assets.
17 b) It is stated (part c) "*No, Newfoundland Power will not file an*
18 *Application for a CIAC for the MUN-T2 or MUN Substation*
19 *Refurbishment and Modernization Project. The costs associated*
20 *with providing service to Memorial University are fully*
21 *recovered through the rates paid by Memorial University."* Why
22 was a CIAC application filed for an Upgrade to Long Pond
23 Substation when the cost was expected to be fully recovered
24 through the rates paid by Memorial University?
25 c) It is stated (part g) "*The capital expenditures that are directly*
26 *attributable to Memorial University would be allocated to the*
27 *General Service Rate #2.4 customer rate class."* What other
28 expenditures that are attributable to a Rate 2.4 customer served
29 directly from the 66kV transmission system are allocated to the
30 Rate 2.4 customer rate class?
31 d) It is stated (part g) "*The remaining \$2.1 million in capital*
32 *expenditures are associated with transmission equipment*
33 *located at MUN Substation that form part of the 66 kV*
34 *transmission system serving customers in St. John's Region."*
35 Please identify the individual transmission equipment and costs
36 at MUN Substation that make up the remaining \$2.1 million in
37 capital expenditures.
38 e) Please identify the individual equipment and costs at MUN and
39 Long Pond Substations that make up the \$7.2 million of capital
40 expenditures.
41
- 42 CA-NP-269 (Reference CA-NP-141) Over what range of rate increases is
43 Newfoundland Power's elasticity estimate relevant? Is it common
44 for elasticity to change depending on the magnitude of the rate
45 change? Newfoundland Power (Customer, Energy and Demand
46 Forecast, page 5 of 8) suggests that in the short-term electricity is

1 relatively price-inelastic. Please define “short-term” and does
 2 Newfoundland Power have a long-term estimate of the price
 3 elasticity?
 4

5 CA-NP-270

(Reference CA-NP-147) The question follows: “*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?*” Does it?
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10 CA-NP-271

(Reference CA-NP-156)

11 a) CA-NP-054 (part c) asks “*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.*” This question does not relate only to the \$6 million expenditure. Please respond to the question and provide a breakdown by cost component.
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20 b) Does the Long Pond Substation form part of the 66kV
 21 transmission system? Is the Long Pond Substation categorized
 22 as common or radial, and why?

23 c) Does the Long Pond Substation include circuit breakers,
 24 instrumentation devices, disconnect switches and grounding
 25 equipment that ensure the safe and reliable operation of the
 26 66kV transmission system? Is this in fact a requirement of all
 27 equipment connected to the transmission system?

28 d) How are the costs of the Long Pond Substation allocated to
 29 customers in the cost of service study?
 30

31 CA-NP-272

(Reference CA-NP-157) The RFI includes a number of questions related to Newfoundland Power’s statement in (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.*”
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41 a) What customers are supplied by the RFD and LCV Substations?

42 b) Is Memorial University, or any other customer, assigned costs in
 43 the cost of service study for the LCV and RFD Substations (see
 44 CA-NP-030 Attachment A relating to the 2024 CBA)? If so, how
 45 much of this cost is included in the cost of service study and how
 46 much is assigned to each customer class?

- 1 c) Does the cost of service study allocate any costs for distribution
2 facilities to the Rate 2.4 customer class? If so, how much?
3 d) Are distribution facilities used to supply Memorial University
4 and the Rate 2.4 customers served at 66kV from the RFD and
5 LCV Substations?
6 e) Please confirm that Newfoundland Power did not consider if the
7 rate charged Memorial University remains appropriate prior to
8 filing this GRA.
9
- 10 CA-NP-273 (Reference CA-NP-158 Attachment A) Footnote 1 indicates that
11 specifically assigned costs of \$194,000 have been removed. Please
12 provide the definition of specifically assigned costs and a
13 breakdown of all costs included in the \$194,000 figure.
14
- 15 CA-NP-274 (Reference CA-NP-163) Please confirm that General Service
16 customers are supplied through a single supply point which is
17 included in Newfoundland Power's cost of service and funded by all
18 ratepayers.
19
- 20 CA-NP-275 (Reference CA-NP-165) Please reconcile the following.
21 Newfoundland Power is asked to confirm that "*The MUN Substation
22 serves 1 customer (Memorial University's St. John's campus) via
23 two transformers, MUN-T1 and MUN-T2. There are two
24 transmission lines supplying the MUN substation, 12L and 14L.*"
25 The response states "*It is not confirmed.*" However, the response
26 appears to confirm that the MUN Substation does indeed serve only
27 one customer, Memorial University's St. John's campus (Table 1),
28 and that lines 12L and 14L supply the MUN Substation.
29
- 30 CA-NP-276 (Reference CA-NP-168)
31 a) Does Attachment A include all transmission assets whose costs
32 are recovered from customers and included in the cost of service
33 study? Are substations considered transmission assets? Are they
34 included in Attachment A?
35 b) What costs are included in the cost of service study and how
36 much of the cost is allocated to each customer/customer class for
37 the following substations: MUN Substation, Long Pond
38 Substation, RFD Substation, LCV Substation, BIG Substation
39 and GFS Substation?
40 c) What costs are included in the cost of service study and how
41 much of the cost is allocated to each customer/customer class for
42 the following transmission lines: 36L, 104L, 410L, 12L, 14L,
43 404L, 36L and 17L?

1 CA-NP-277 (Reference CA-NP-218)

- 2 a) Please confirm that the AUC in 2018 specifically rejected Mr.
- 3 Coyne’s forward looking market risk premium estimates since
- 4 the growth rates were unrealistically too high.
- 5 b) In answer to the question C&T state that they currently use the
- 6 Kroll market risk premium. Please confirm that the following
- 7 graphic indicates the current Kroll market risk premium for the
- 8 US of 5.5%.
- 9

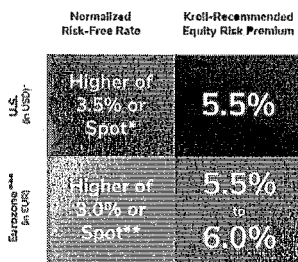
Cost of Capital in the Current Environment

January 2024 Update

“ Global economic growth in 2023 handed a pleasant surprise to economists, thanks in part to a resilient U.S. economy and a decline in global energy prices. Although the U.S. economy showed greater resilience than the Eurozone’s, real GDP growth in 2023 likely ended in a much better place than originally projected at the beginning of the year for both geographies. Going forward, a scenario of soft landing has become more plausible, although real growth is expected to slow down in 2024 in most regions globally. The good news is that despite the significant increase in interest rates in 2022 and 2023, economies and markets seem to have absorbed the hikes without major disruptions. Inflation has decelerated significantly, at a faster pace than many anticipated, while long-term inflation expectations have also dropped materially, especially in Germany. Investors are pricing significant policy rate cuts in 2024 for major economies, boosting confidence and leading to new record highs in some equity markets. This “risk-on” attitude means equity risk premia is likely to come down, barring a major geopolitical event (e.g., escalation of the Middle East conflict) or other unforeseen materially negative event.

Carla S. Nunes, CFA -- Managing Director, Valuation Digital Solutions/Office of Professional Practices, Kroll

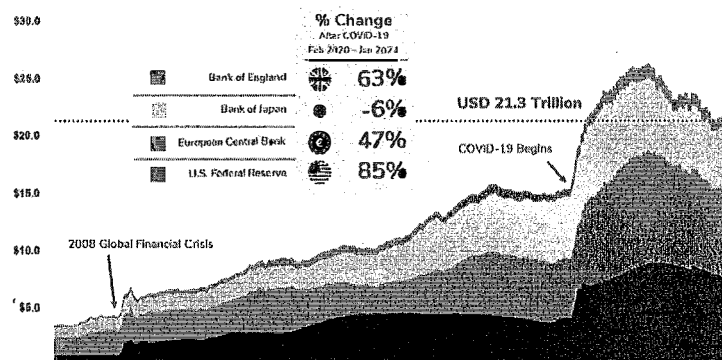
Kroll Cost of Capital Inputs
Data as of January 31, 2024



* We referenced within the prior 20-year U.S. Treasury yield as the proxy for the risk-free rate. If the prevailing yield on a 10-year Treasury note is higher than the appropriate U.S. commercial risk-free rate of 3.0%, then the source is expected to be the 10-year Treasury yield as of June 15, 2022, and thereafter.

** We referenced within the prior 20-year German government bond yield as the proxy for the risk-free rate. If the prevailing yield on a 10-year German government bond is higher than the appropriate Eurozone commercial risk-free rate of 3.0%, then the source is expected to be the 10-year German government bond yield as of October 15, 2022, and thereafter.

Total Assets Held by Major Central Banks Over Time
Data as of January 26, 2024



12 CA-NP-278 (Reference CA-NP-228)

- 13 a) Can Mr. Coyne confirm that he checked Newfoundland Power’s
- 14 security filings to see whether Newfoundland Power has
- 15 informed investors of any changes in its risk profile since 2015?
- 16 If so, please provide any extracts from such filings that indicate
- 17 increased business risk for Newfoundland Power.
- 18 b) C&T did not answer the question. Can they please indicate yes
- 19 or no as to whether they reviewed any securities filings to
- 20 indicate any material change in Newfoundland Power’s business
- 21 risk.

23 CA-NP-279 (Reference CA-NP-230)

- 24 a) C&T reference Dr. Roger Morin and the increased risk from
- 25 using debt financing (page 54, and footnote 75). Are C&T aware
- 26 that Dr Morin regularly provides expert testimony on behalf of
- 27 utilities? Would C&T agree that a utility with extensive deferral
- 28 accounts that very rarely suffers a below regulated ROE has, by

1 definition, not suffered any business risk that its debt financing
2 has magnified?

- 3 b) This answer did not fully answer the question which is an “after
4 the fact” question. To repeat, *“If a utility has always earned its
5 allowed ROE has it in practise experienced any business risk
6 that has been magnified by the use of debt financing?”*
7

8 CA-NP-280

(Reference CA-NP-236) The discussion of Newfoundland Power’s
9 business risk mirrors that of the company. Please:

- 10 a) Indicate the timing of the meetings that took place between
11 Concentric and Newfoundland Power staff (both face and by
12 conference call).
13 b) Please provide copies of all materials that Newfoundland Power
14 passed to Concentric to brief him on Newfoundland Power’s
15 business risk that are not already filed.
16 c) Please indicate any substantive differences in the judgement of
17 Newfoundland Power and C&T in terms of Newfoundland
18 Power’s business risk.
19 d) Please indicate any substantive changes since Mr. Coyne’s 2015
20 business risk evidence on Newfoundland Power.
21 e) It appears that Newfoundland Power answered both a) and b)
22 and objected to what is a standard question. Does Newfoundland
23 Power accept that it is the duty of any expert, whether hired by
24 the company or an intervener, to assist the Board and provide an
25 independent, unbiased report? If not, please explain in detail
26 what Newfoundland Power regards as the responsibilities of an
27 expert hired by Newfoundland Power and what directions it gave
28 Concentric when they were engaged? Please answer the question
29 so that the Board and interveners are aware of the evidentiary
30 basis about Newfoundland Power on which C&T’s report was
31 based.
32

33 CA-NP-281

(Reference CA-NP-238) At Figure 39 C&T compare residential
34 electric bills across six Canadian jurisdictions:

- 35 a) Why were these specific locations chosen? Why for example are
36 Ontario and Quebec ignored?
37 b) It appears from Figure 39 that electricity is cheaper in NL than
38 the comparators. Have C&T estimated or been provided by
39 Newfoundland Power with a demand study indicating how high
40 electricity prices can go before Newfoundland Power loses a
41 significant number of customers and experiences an inability to
42 recover its costs?
43 c) It appears from Figure 39 that Newfoundland Power’s
44 residential rates could increase by 63% before reaching Fortis
45 Alberta’s level, where Fortis Alberta is currently allowed a 37%
46 common equity ratio by the AUC. On what basis is

1 Newfoundland Power riskier than Fortis Alberta when it is
 2 larger, residential users have lower electricity costs reducing the
 3 stranded asset risk, and faces no competition risk from natural
 4 gas?

- 5 d) C&T did not fully answer the question. Did C&T perform an
 6 independent risk analysis to assess how high electricity prices
 7 could go in NL before it experiences an inability to recover its
 8 costs? If the answer is no, does this reflect C&T's judgment that
 9 there is limited or non-existent long run stranded asset recovery
 10 risk and most of Newfoundland Power's risk is its short run
 11 ability to earn its allowed ROE?
- 12 e) Please confirm that Mr. Coyne appeared in the 2023 Alberta
 13 Utilities Commission hearing and recommended a 40% common
 14 equity ratio for Enmax (decision Table 7) where the AUC
 15 allowed 37%. Also please confirm that according to the Hydro
 16 Quebec report (page 28) made available in CA-NP-076, Calgary
 17 (served by Enmax) has the most expensive electricity for
 18 residential customers (page 28) of any of the Canadian cities
 19 surveyed by Hydro Quebec with costs more than double those
 20 of Newfoundland Power. Was C&T aware of that when they
 21 recommended a 40% equity ratio for Enmax and 45% for
 22 Newfoundland Power? What other factors did C&T factor in to
 23 recommend a lower common equity ratio for Enmax?
- 24 f) Have C&T appeared before US regulators for electricity
 25 companies serving Boston, NYC, and San Francisco where costs
 26 are at least twice as high as in St. John's and sometimes at least
 27 four times as high?

28
 29 CA-NP-282

(Reference CA-NP-240)

- 30 a) Given the importance of the recovery of power costs, can Mr.
 31 Coyne provide copies of all demand studies relied on to indicate
 32 there may be problems in recovering the higher cost of Muskrat
 33 Falls power supply? In particular, what studies of the price
 34 elasticity of demand for electricity in NL did Newfoundland
 35 Power provide, or Mr. Coyne consult, in the preparation of his
 36 report?
- 37 b) C&T did not answer the question, instead the answer refers to
 38 Newfoundland Power's response to PUB-NP-103. Please
 39 indicate whether C&T were provided with these reports, whether
 40 they agree with them and whether or not as financial experts they
 41 relied on them or did their own independent analysis.

42
 43 CA-NP-283

(Reference NLH-NP-006)

- 44 a) Please revise Table 1 by extending the years to 2026F and using
 45 only the GDP deflator to convert annual nominal operating cost
 46 to real operating cost.

- 1 b) Please provide a similar table as requested in a) but for
 2 depreciation cost.
 3 c) Please provide a similar table as requested in a) but for finance
 4 charges.
 5
- 6 CA_NP-284 (Reference NLH-NP-011) It is stated "*Newfoundland Power's*
 7 *operating costs per customer from 2013 to 2026 are forecast to*
 8 *reduce by 7.9% on an inflation-adjusted basis.*" Please indicate
 9 what portion of the 7.9% figure is due to the change in the number
 10 of customers and what portion is due to the change in inflation-
 11 adjusted annual operating costs.
 12
- 13 CA-NP-285 (Reference NLH-NP-014) It is stated "*The Company submits that*
 14 *there is no reasonable basis for Newfoundland Power to forecast its*
 15 *2026 operating costs to be the same as the 2023 test year. That*
 16 *would disregard increases in inflation since the Company's last*
 17 *general rate application, as well as three years of actual operating*
 18 *costs incurred by the Company since that time. Further,*
 19 *Newfoundland Power could not achieve this scenario while*
 20 *delivering safe, reliable electricity to its customers.*"
 21 a) With Newfoundland Power's adoption of new technologies and
 22 investment in new capital, is not the expected outcome an
 23 improvement in productivity?
 24 b) If there is any improvement in productivity then does that not
 25 tend to decrease the growth in, or even the level of, operating
 26 cost?
 27
- 28 CA-NP-286 (Reference NLH-NP-050) It is stated "*The Company's capital*
 29 *planning process is a deliberate effort to balance the cost and*
 30 *reliability of service provided to customers. As such, there are no*
 31 *incremental costs to customers to continue receiving current levels*
 32 *of reliability.*" Please cite references from other jurisdictions and
 33 industry groups that there is no incremental cost associated with
 34 maintaining current levels of reliability.
 35
- 36 CA-NP-287 (Reference PUB-NP-001)
 37 a) Would the customer service specialist and all meter readers
 38 positions become obsolete if Newfoundland Power were to
 39 convert all metering installations to smart meters?
 40 b) Is the Director Business and Regulatory Affairs responsible for
 41 wholesale and retail rates and cost of service? If not, what is the
 42 Director responsible for?
 43 c) What is the Supervisor Cost Control responsible for?
 44 d) Is the Director Rates and Supply responsible for wholesale/retail
 45 rates and cost of service? Does this individual have 4 reports?

- 1 CA-NP-288 (Reference PUB-NP-004) It is stated “*Newfoundland Power submits that its approach to not rebase power supply energy costs in its 2025 and 2026 test years is reasonable.*” Please explain the step-by-step process followed by Newfoundland Power starting with the pro forma 2022 cost of service study through to the Test Year cost of service study, cost allocations and rates for the different customer classes in 2025 and 2026.
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- 9 CA-NP-289 (Reference PUB-NP-007)
- 10 a) Please provide a similar calculation to that in Attachment A for retail Rates 2.1, 2.3 and 2.4, and for Rate 1.1. For the Rate 1.1 customer class, assume a two-block energy charge with a first block of 800 kWh/month.
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14 b) What is considered a subsistence level of monthly consumption for the Domestic customer class?
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16 c) What would be the customer rate impacts resulting from these rates?
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18 d) What would it cost to implement a change in retail rates such as this?
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- 21 CA-NP-290 (Reference PUB-NP-009) Why is SAIDI included in the Corporate Performance Measures but not SAIFI? Have customers expressed greater concern with the duration of outages than with the number of outages?
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- 26 CA-NP-291 (Reference PUB-NP-010) Please revise Table 1 by using the GDP deflator alone to express cost in inflation-adjusted terms, and extend the table to include 2024F to 2026F.
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- 30 CA-NP-292 (Reference PUB-NP-016) What expanded capabilities are provided by the new customer service system relative to the old customer service system?
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- 34 CA-NP-293 (Reference PUB-NP-039) It is stated “*Maintaining service reliability also requires maintaining a prompt response to customer outages. The Company employs a skilled workforce throughout its service territory.*”
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38 a) Does this impact SAIFI statistics, or only SAIDI statistics?
- 39 b) If Newfoundland Power were to let SAIDI levels decline to the Canadian average, how many staff positions could be eliminated?
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- 43 CA-NP-294 (Reference PUB-NP-041) How many of Newfoundland Power’s customers did not experience an outage in 2023? What percentage of Newfoundland Power’s customers does this represent?
- 44
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- 1 CA-NP-295 (Reference PUB-NP-044) Are behind-the-meter alternatives and
 2 rate design being considered as part of Newfoundland Power’s effort
 3 to reduce greenhouse gas and other environmental emissions?
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- 5 CA-NP-296 (Reference PUB-NP-045)
 6 a) Please confirm that Newfoundland Power intends to increase
 7 capital spending by 25.7% in the 3-year period from 2024 to
 8 2027. What is forecast inflation for the same time period?
 9 b) Does this forecast incorporate results from Newfoundland
 10 Power’s ongoing asset management system review? Is the asset
 11 management system review expected to increase or decrease
 12 capital spending?
 13 c) It is stated “*Newfoundland Power’s areas of focus in its capital*
 14 *spending over the 2024 to 2028 period reflect a continued focus*
 15 *on maintaining current levels of overall service reliability in*
 16 *light of increasing risk to reliability due to the age of the*
 17 *Company’s electrical system.” Is this area of focus driven by*
 18 *Newfoundland Power’s claim that the incremental cost of*
 19 *maintaining current levels of reliability is zero?*
 20
- 21 CA-NP-297 (Reference PUB-NP-051) It is stated with respect to the Distribution
 22 Reliability Initiative “*On average, the project has improved the*
 23 *reliability performance of Newfoundland Power’s worst performing*
 24 *feeders by approximately 69%.”*
 25 a) Was there an incremental cost associated with this reliability
 26 improvement?
 27 b) It is stated “*the DRI continues to serve as a reasonable approach*
 28 *to ensuring all customers experience an equitable level of*
 29 *service reliability.” Do all customers have an equitable level of*
 30 *service reliability? Please define “equitable”.*
 31
- 32 CA-NP-298 (Reference PUB-NP-051) It is stated with respect to the
 33 Transmission Line Rebuild Strategy that projects are prioritized
 34 according to the risk of failure. Is Newfoundland Power able to
 35 quantify the risk of failure and compare it to projects across the
 36 Transmission Line Rebuild Strategy, across all projects in the capital
 37 budget, and to delaying the project by two or three years?
 38
- 39 CA-NP-299 (Reference PUB-NP-056) The response indicates that use of
 40 technology contributes to improved operational response and
 41 reliability. Would smart meters improve Newfoundland Power’s
 42 operational response times?
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- 44 CA-NP-300 (Reference PUB-NP-105)
 45 a) What changes have occurred in Memorial University’s supply
 46 requirements since its rate was last evaluated in 2010?

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- b) Footnote 2 states *“The range of cost recovery is fairly narrow around the class revenue to cost ratio of 104%. The analysis of within class cost recovery indicates the illustrative rate provides reasonable cost recovery from customers with low demand requirements and customers with high demand requirements.”* Please confirm that this analysis considered only the level of demand requirements, and not the cost of facilities used to supply customers like Memorial University that are supplied directly from the 66kV transmission system versus customers who are supplied, for example, at 12.5kV.
- c) Was the reasonableness of the rate compared to implementation of a rate for a new rate class that included Memorial University and the Rate 2.4 customers served directly from the 66kV transmission system?
- 16 CA-NP-301 (Reference PUB-NP-106) In what year were MUN Substation, line 12L and line 14L placed in service?
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- 19 CA-NP-302 (Reference PUB-NP-107) It is stated *“Where a customer’s service is at a transmission voltage (i.e. 33 kV to 138 kV), the customer’s demand charges are reduced by \$0.90 per kVA. Where a customer’s service is at a primary distribution voltage (i.e. 4 kV to 25 kV), the customer’s demand charges are reduced by \$0.40 per kVA.”* It is also stated *“As a result, Memorial University’s demand charges are currently reduced by \$0.40 per kVA. If Memorial University were to fund the cost of all 66 kV transformation serving the university, its demand charges would be reduced by \$0.90 per kVA.”*
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- a) Please provide the cost analysis that was used as the basis for the demand charge reductions, and please provide an update to the analysis to reflect today’s costs.
- b) Is the \$0.90/kVA reduction based on the cost of a transmission voltage transformer plus the cost of a primary distribution voltage transformer?
- c) Is the demand charge reduction based on a single transformer or multiple transformers?
- d) How many transformers in total serve Memorial University? How many transformers serve the Rate 2.4 customer served via the BIG Substation?
- e) Are customers of Newfoundland Power allowed to own transmission assets including 66kV transformers? If so, are they required to enter into an interconnection agreement such as that required for Net Metering Customers?
- f) Do any of Newfoundland Power’s customers own transmission assets that are categorized as “common”? Are customers of Newfoundland Power allowed to own transmission assets that are categorized as “common”?

- 1 g) How many of Newfoundland Power's customers are directly
 2 connected to the transmission system and how many of these
 3 customers own their 66kV transformers? How many of these
 4 customers have fully contributed the costs of their 66kV
 5 transformers?
 6 h) How many of Newfoundland Power's General Service
 7 customers that are connected at distribution voltage own, or have
 8 fully-contributed the costs of their transformers?
 9 i) Do any Domestic customers own their transformers?

10
 11 CA-NP-303

(Reference PUB-NP-108)

- 12 a) Part a of the question asks Newfoundland Power to "*quantify the*
 13 *additional amount in annual revenues that result from*
 14 *Newfoundland Power Owning the transformers at the Memorial*
 15 *University Substation rather than the University.*"
 16 Newfoundland Power responds that the additional revenue is
 17 about \$100,000. Part b of the question asks "*If Memorial*
 18 *University paid a contribution equal to the cost of*
 19 *transformation at the substation, would the demand charge paid*
 20 *by the University be reduced by the amounts provided in*
 21 *response to subsection a)?"* The response does not answer the
 22 question. Please respond to part b of the question that asks if the
 23 University paid a contribution equal to the cost of transformation
 24 at the substation, would the demand charge paid by the
 25 University be reduced by \$100,000?
 26 b) It is stated (part c) "*This relationship between the cost to serve*
 27 *Memorial University and the rates paid by Memorial University*
 28 *does alleviate concerns on cross subsidization that may arise as*
 29 *a result of Newfoundland Power funding the investment in*
 30 *transformation at the MUN Substation.*" Please provide support
 31 for this statement showing how the demand charge premium for
 32 Memorial University compares to the lifecycle cost of
 33 transformers that serve the University. Since Memorial
 34 University receives one bill for power supplied at both Long
 35 Pond and Memorial Substations, please consider the costs of
 36 transformation at both substations.
 37 c) Please provide a comparison of the demand charge discount for
 38 the Rate 2.4 customer served from the BIG Substation to the
 39 lifecycle cost of transformer(s) that serve this customer. Assume
 40 Newfoundland Power owns the transformer that serves the Rate
 41 2.4 customer served via the BIG Substation.
 42 d) Does the demand charge discount apply only to customers
 43 whose transformers are owned by the customer and that serve
 44 only that customer?
 45 e) Do rates designed to collect the revenue requirement determined
 46 in the cost of service study result in cost-based rates?

DATED at St. John's, Newfoundland and Labrador, this 22nd day of March, 2024.

Per: 

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