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May 15, 2015

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

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

Dear Ms. Blundon:

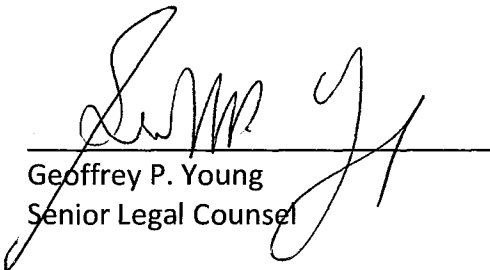
Re: Newfoundland Power Inc. - 2016 Deferred Cost Recovery Application

Enclosed please find the original plus 12 copies of Newfoundland and Labrador Hydro's Requests for Information NLH-NP-61 to NLH-NP-76 with regard to the above-noted application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/jc

cc: Gerard Hayes – Newfoundland Power

Thomas Johnson – Consumer Advocate

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

IN THE MATTER OF an application by Newfoundland Power Inc. ("Newfoundland Power") to approve the deferred recovery of certain 2016 costs.

Requests for Information

From Newfoundland and Labrador Hydro

Newfoundland Power Inc. - 2016 Deferred Cost Recovery Application

Newfoundland and Labrador Hydro

May 15, 2015

Newfoundland Power Inc. - 2016 Deferred Cost Recovery Application

**Requests for Information from Hydro
To Newfoundland Power Inc.**

NLH-NP-61 Further to NLH-NP-020, Order No. P.U. 13(2013) which states:

"The Board notes that it has been some time since Newfoundland Power's capital structure has been comprehensively reviewed and that it may be appropriate for this issue to be addressed in Newfoundland Power's next general rate application, Newfoundland Power will be directed to file a comprehensive report in relation to its capital structure with its next general rate application. "

When was the last GRA in which Newfoundland Power filed a comprehensive report in relation to its capital structure?

NLH-NP-62 Further to Newfoundland Power's response to NLH-NP-003 which states:

"Newfoundland Power expects that a GRA filing made early in the 4th quarter of 2015 would likely still conflict with scheduling associated with Hydro's currently outstanding GRA. For this reason, the 2016 deferred cost recovery proposed in the Application is the superior alternative to addressing the current circumstances."

Please provide the anticipated GRA schedule, from beginning to end, reflecting an October 16, 2015 filing by Newfoundland Power and demonstrate the anticipated scheduling conflict with Hydro's current GRA based upon the current Hydro GRA schedule established by the Board.

NLH-NP-63 Further to Newfoundland Power's response to NLH-NP-003 which states:

"Newfoundland Power expects that a GRA filing made early in the 4th quarter of 2015 would likely still conflict with scheduling associated with Hydro's currently outstanding GRA. For this reason, the 2016 deferred cost recovery proposed in the Application is the superior alternative to addressing the current circumstances."

Please demonstrate the superiority of approval of (i) the current Application providing final approval of \$4 million in deferred cost recovery from customers and final approval of customer rates for 2016 based on untested costs versus (ii) Board approval of a deferral account for the forecast revenue shortfall and

subsequently proceeding with a scheduled GRA in the fall of 2015 to test 2016 costs prior to finalizing 2016 customer rates and addressing recovery of the deferral account balance in 2016.

NLH-NP-64 Further to NLH-NP-008, Order P.U. 7(1996-1997) states on page 46:

"On March 28, 1996, as ordered by the Board the Depreciation Report and Exhibits of Gannett Fleming Valuation and Rate Consultants, Inc. were filed. The study indicated significant changes to the rate filing of the Applicant, which, in turn, gave rise to the revised application of the Applicant dated April 29, 1996."

Please provide the revenue requirement change in the 1996 GRA as a result of the change in the test year depreciation expense included in the original application and the depreciation expense reflected in the revised application.

NLH-NP-65 Further to NLH-NP-009, please complete the following table for 2016 assuming the annual sales variances for all classes in each month of 2016.

	Annual Sales Variance Compared to 2016 Forecast	
	+1%	+1.5%
Return on Common Equity (%)		
Return on Rate Base (%)		
Mid-point of Return on Rate Base (%)		

NLH-NP-66 Further to Newfoundland Power's response to NLH-NP-011 which states:

"If the Board were to approve the proposed 2016 cost deferral on an interim basis, with recovery to be determined following the hearing of Newfoundland Power's 2016 GRA at a later time, this would not, depending on the timing of the Board's decision, provide Newfoundland Power a reasonable opportunity to recover its 2016 costs on a prospective basis."

Please explain the difference in recovery of the proposed cost deferral if it is approved subject to further review of the Board versus recovery of the proposed cost deferral if it is approved on a final basis (as would be the result of approval of the Application). If the cost recovery is ultimately justified before the Board through the testing of 2016 costs, would Newfoundland Power still recover the costs in future from customers? If not, why not?

How does approval of the cost deferral without approval for recovery impact Newfoundland Power?

NLH-NP-67 Further to Newfoundland Power's response to NLH-NP-014 which states:

"The impact on Newfoundland Power's 2016 financial results of approval of deferred recovery on an interim basis is that such an approval would not provide Newfoundland Power with a reasonable opportunity to earn a just and reasonable return for 2016 within the meaning of Section 80 of the Act."

Please explain how approval of deferred costs on an interim basis, in accordance with Section 75 of the Public Utilities Act, that are subject to further review by the Board prior to granting final cost recovery to Newfoundland Power would remove the opportunity for Newfoundland Power to earn a just and reasonable return for 2016 within the meaning of Section 80 of the Act.

NLH-NP-68 Further to Newfoundland Power's response to NLH-NP-005 which states:

"In addition, the 2016 deferred cost recovery proposed in the Application is consistent with (i) prospective ratemaking; (ii) the principle of intergenerational equity as applied by the Board; (iii) reduced overall regulatory lag and delayed cost recovery; (iv) overall regulatory cost efficiency; and (v) past regulatory practice."

However, in response to NLH-NP-015, Newfoundland Power states:

"Newfoundland Power has not completed a jurisdictional review to determine whether regulators in other jurisdictions have granted final approval of deferral and recovery of untested costs outside of a general rate application."

Is Newfoundland Power's statement on consistency with past regulatory practice strictly limited to the Newfoundland and Labrador jurisdiction? Does Newfoundland Power consider the regulatory practices of other jurisdictions to be of value to the Board in reviewing the current Application? If not, why not?

NLH-NP-69 Further to Newfoundland Power's response to NLH-NP-018 which states:

"In Newfoundland Power's view, the requirement that rates not be unjustly discriminatory is not engaged by the Application. The Application proposes no changes to rates, tolls or charges to customers, or to rate design or availability."

Does Newfoundland Power agree that the requirement that rates be reasonable as required in the EPCA is engaged by the Application? If yes, please explain how final approval of rates for 2016 based upon untested costs ensures the Board

meets the legislative requirement that approved rates for 2016 are reasonable and consistent with least cost provision of reliable service.

NLH-NP-70 Further to Newfoundland Power’s response to NLH-NP-022 which states:

"It is clear that the Board anticipated a Newfoundland Power general rate application (“GRA”) with a 2016 test year would be filed on or before June 1, 2015, unless otherwise directed by the Board."

Per the responses to NLH-NP-007 and NLH-NP-021, at the time of filing the Application, Newfoundland Power has not completed the required depreciation study and the required capital structure review to accompany its general rate application. Please provide the anticipated completion dates of each of these studies.

NLH-NP-71 Further to NLH-NP-030, Newfoundland Power is requesting the Board approve recovery of \$4 million in additional costs from customers to allow an 8.80% return on 45% common equity for 2016. The Board has requested a comprehensive review of the 45% common equity component for 2016 in Order No. P.U. 13(2013) which has not yet been completed by Newfoundland Power. Please explain why Newfoundland Power has chosen to only compare the returns on equity of investor owned utilities on page 4, footnote 11 of its application, and omitted any comparison to the common equity ratios of those same investor owned utilities.

NLH-NP-72 Further to Newfoundland Power’s response to NLH-NP-030 in which NP did not complete the requested table as lines 2 and 3 did not include "... information referenced in the application...", Hydro has compiled the following:

Line No.	Province	Newfoundland	Newfoundland	Ontario	Quebec	British Columbia	Nova Scotia	Alberta
	Utility	Newfoundland Power (Approved)	Newfoundland Power (2016 Forecast)	FortisOntario	Gaz Metro	FortisBC	Nova Scotia Power	FortisAlberta
1	Regulated Return on Equity (%)	8.80%	8.08%	9.30%	8.90%	8.75%	9.00%	8.30%
2	Common Equity for Rate Making (%)	45.00%	45.00%	40.00%	38.50%	38.50%	37.50%	40.00%
3	Weighted Average Return on Equity (%) (Line 2 * Line 3)	3.96%	3.64%	3.72%	3.43%	3.37%	3.38%	3.32%

Common Equity References: Newfoundland Power - P.U. 13(2013), FortisOntario - Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors dated December 20, 2006, Gaz Metro - D-2011-182, R-3752-2011 Phase 2, 2011 11 25, FortisBC - Generic Cost Of Capital Proceeding (Stage 1) Dated May 10, 2013, Nova Scotia Power - 2005 NSUARB 27, FortisAlberta - Decision 2191-D01-2015

The table shows that Newfoundland Power's approved Weighted Average Return on Equity is the highest of all investor owned utilities listed in footnote 11 of the Application. Given the capital structure review for 2016 required per P.U. 13(2013) has not been completed, please explain how approval by the Board of an 8.80% return on equity and a 45% common equity ratio on a final basis for 2016 can be considered to be "just and reasonable as provided by Section 80 of the Public Utilities Act" and also be considered least cost consistent with reliable service.

NLH-NP-73 Further to NLH-NP-008, please provide a revised Exhibit 1 showing the 2016 forecast reflecting (i) a 0.15% decrease in the composite depreciation rate applied to Newfoundland Power's Property, Plant and Equipment and (ii) a 1% sales increase from forecast applied to all classes for 2016.

NLH-NP-74 Further to Newfoundland Power's response to NLH-NP-035 which states:

"Section 75 of the Public Utilities Act (the "Act") provides for interim orders governing rates. However, there is no provision in the Act which governs the approval of cost recovery deferrals on an interim basis. Newfoundland Power is uncertain as to how a cost recovery deferral on an interim basis would practically work and still be consistent with the prospective nature of utility regulation in the province."

Order No. P.U. 58(2014) states:

"The Board will therefore grant approval for Hydro to establish a deferral account in relation to the proposed 2014 revenue requirement and to segregate \$45.9 million in the account in 2014, subject to the Board's subsequent determination, following a full review, as to whether it is appropriate to grant any recovery to Hydro."

Does the Board's decision in Order No P.U. 58(2014) provide certainty to Newfoundland Power on how a cost recovery deferral would practically work and still be consistent with the prospective nature of utility regulation in the Province? If not, why not? Would Newfoundland Power consider a similar approach to be reasonable to deal with the current Application? If not, why not?

NLH-NP-75 Further to NLH-NP-054 and NLH-NP-055, please provide the impact on purchased power expense for 2016 if forecast year-end storage in 2016 is reduced from the forecast of 53 GWh to the 2012 year-end storage of 41 GWh. Please perform the calculation on both the existing wholesale end block rate (8.805 cents per kWh) and the proposed wholesale end block rate in Hydro's Amended Application (i.e. 11.622 cents per kWh).

NLH-NP-76 The Newfoundland Power quarterly regulatory report for the 1st quarter 2015 states on page 4 "The Earnings for the 1st quarter were \$0.8 million above plan." Have these additional earnings from the first quarter been reflected in the 2015 forecast reflected in Exhibit 1 to the Application? If not, please provide a revised Exhibit 1 reflecting an additional \$0.8 million in earnings in 2015.