

October 19, 2017

Via Email & Courier

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 and Labrador Hydro's 2017 General Rate Application – Cost of Service Revisions to Follow

Hydro is in the process of revising its Test Year Cost of Service studies and plans to file revised Test Year cost of service studies and revised evidence and schedules, as required, by Friday, October 26, 2017. As a result Hydro will delay filing approximately 20 Request for Information responses to ensure the filed responses align with the corrected versions of the 2018 and 2019 Test Year Cost of Service studies.

The Newfoundland Power request NP-NLH-163 noted apparent errors in Hydro's filed Test Year cost of service studies. Hydro has reviewed this matter and determined that while making software changes to prepare for its cost of service methodology review, some errors did occur

During its review, Hydro discovered the following issues with its filed Test Year Cost of Service Studies:

- (i) Newfoundland Power's curtailable load credit was not included in coincident peak used to allocate generation costs;
- (ii) The Island Interconnected gas turbine and diesel fuel costs were allocated based on the system load factor rather than 100% demand;
- (iii) The load information for several of Hydro's rural classes was misstated amongst classes;
- (iv) The Production Demand cost column was incorrectly stated as Production and Transmission Demand;
- (v) Pole attachment revenues for the Labrador Interconnected and L'Anse Au Loup systems were reversed;
- (vi) Transmission lines dedicated to providing generation to the grid which were functionalized as transmission but should have been functionalized as generation; and

- (vii) The transmission losses for the Labrador interconnected system did not reflect the most recent projection.

Based on the review conducted thus far, the revised Cost of Service study will not result in material changes in the Test Year revenue requirements for any customer class. Hydro apologizes for any issues that may arise as a result of these corrections.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Tracey L. Pennell
Senior Counsel, Regulatory
TLP/bs

cc: Gerard Hayes - Newfoundland Power
Paul Coxworthy - Stewart McKelvey Stirling Scales
Denis J. Fleming - Cox & Palmer
ecc: Van Alexopoulos - Iron Ore Company
Senwung Luk - Labrador Interconnected Group

Dennis Browne, Q.C. - Consumer Advocate
Dean Porter - Poole Althouse

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