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April 12, 2018

SENT VIA E-MAIL

Cheryl Blundon
Board Secretary
Board of Commissioners of Public Utilities
P.O. Box 21040, St. John's, NL A1A 5B2

Dear Ms Blundon:

Re: Renumbering of RFIs from Labrador Interconnected Group in NLH GRA 2017

As per the Board’s instructions on April 12, 2018, we have renumbered Requests for Information (“RFIs”) and are refileing the attached correspondence.

We mistakenly numbered RFIs in correspondence dated March 29, 2018, in which the RFIs were posed. Hydro then responded to those RFIs using those erroneous numbers. We then sent subsequent correspondence on April 11, 2018, using those erroneous numbers as well.

All references in the March 29, 2018 and April 11, 2018 should be corrected as follows:

Incorrect reference used on March 29 and April 11	Correct reference
LAB-NLH-076	LAB-NLH-081
LAB-NLH-077	LAB-NLH-082
LAB-NLH-078	LAB-NLH-083
LAB-NLH-079	LAB-NLH-084
LAB-NLH-080	LAB-NLH-085

We regret this error and all the inconvenience it has caused to the Board, the Applicant, and the interveners. We review all documents with an eye to eliminating such errors and we apologize for the oversight.

Attached you will find RFIs posed using the corrected numbers, as well as correspondence regarding Hydro's answers that also use the corrected numbers.

Hard copies will be sent to those parties that have requested them.

We trust you find the foregoing satisfactory. Please be in touch should you have any questions or concerns.

Yours truly,
Olthuis Kleer Townshend LLP



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SL/tm

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Newfoundland Power (ghayes@newfoundlandpower.com; lobrien@curtisdawe.nf.ca; regulatory@newfoundlandpower.com)
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Iron Ore Company of Canada (van.alexopoulos@ironore.ca; benoit.pepin@riotinto.com)

IN THE MATTER OF the *Public Utilities Act*, RSN 1990, Chapter P-46 (the “Act”); and

IN THE MATTER OF a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro (the “Applicant”) for approvals of, under Section 70 of the Act, changes in the rates to be charged for the supply of power and energy to Newfoundland Power, Rural Customers and Individual Customers; and under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

Requests for Information

by the Labrador Interconnected Group

LAB-NLH-81 to LAB-NLH-85

March 29, 2018

1 **Requests for Information Regarding the Additional Cost of Service Information**

2
3 **LAB-NLH-81 Re: Additional Cost of Service Information, pages 12-14**

4 Citation 1 (pp. 12-13):

5 While the use of the Expected Supply Scenario reduces the billings from customer rates
6 for the Island Interconnected System for 2018, there is an increase of approximately
7 \$43,000³⁰ in the revenue requirement for the Labrador Interconnected System as a
8 result of an increased allocated percentage of the Rural Deficit.³¹

9 ³⁰2018 Revised Deferral Account Scenario Revenue Requirement of \$21,535,274 to \$21,578,504
10 under the 2018 Expected Supply Scenario = \$43,230.

11 ³¹The reduction in revenue requirement for the Island Interconnected System under the
12 Expected Supply Scenario reduces the percentage of the Rural Deficit allocated to the Island
13 Interconnected System and increases the percentage of the Rural Deficit allocated to the
14 Labrador Interconnected System.

15 Preamble:

16 The figures mentioned in note 30 are found in Schedule 1.2 of Appendices B and H,
17 respectively, in line 12 (Subtotal Rural), Column 6 (Revenue Requirement after Deficit
18 and Revenue Credit Allocation).

19 Citation 2 (p. 14):

20 Table 11 provides a comparison of the Rural Deficit allocation under both the Revised
21 Deferral Account Scenario and the Expected Supply Scenario.

22 **Table 11 Comparison of Rural Deficit by Customer Class**

23
24

	2018 Test Year		2019 Test Year	
	\$000s	% of Deficit	\$000s	% of Deficit
Revised Deferral Account Scenario				
Newfoundland Power	62,461	95.8%	65,904	95.6%
Hydro Rural Lab. Interconnected	2,762	4.2%	3,063	4.4%
Total	65,223		68,967	
Expected Supply Scenario				
Newfoundland Power	62,490	95.7%	66,210	95.2%
Hydro Rural Lab. Interconnected	2,829	4.3%	3,350	4.8%
Total	65,320		69,560	

25
26 Preamble:

27
28 Table 11 shows that the rural deficit allocated to Hydro Rural Lab. Interconnected for the
29 2018 TY is about \$67,000 greater under the Expected Supply Scenario (\$2,829k –

1 \$2,762k), and that the rural deficit allocated to Hydro Rural Lab. Interconnected for the
2 2019 TY is about \$287,000 greater under the Expected Supply Scenario (\$3,350k –
3 \$3,063k).
4

- 5 a) Please explain why the difference in Rural Deficit Allocation to Rural Labrador
6 Interconnected between the two scenarios for 2018 in Table 11 (\$67,000) is greater than
7 the amount mentioned in Citation 1 (\$43,000).
8
- 9 b) Please explain why the difference in Rural Deficit Allocation to Rural Labrador
10 Interconnected between the two scenarios is so much greater in 2019TY (\$287,000) than
11 in 2018TY (\$67,000).
12
13
14

15 **LAB-NLH-82 Re: Additional Cost of Service Information, Appendices H and I, Schedules**
16 **1.2**

17 Preamble:

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20 A comparison of Schedule 1.2 of Appendices B, C, H and I shows that Labrador
21 Interconnected Cost of Service Before Deficit and Revenue Credit Allocation is greater
22 under the Expected Scenario than under the Deferral Scenario, by \$31,927 (\$24,429,128
23 –\$24,397,201) in 2018 TY, and by \$7,261 in 2019 TY.
24

25 Please explain why Labrador Interconnected Cost of Service Before Deficit and Revenue Credit
26 Allocation is greater under the Expected Scenario than under the Deferral Scenario.
27
28
29

30 **LAB-NLH-83 Re: Additional Cost of Service Information, Appendices H and I, Schedule**
31 **2.2A; and NLSO, Methodology for the Development of Rates for Transmission Service**
32 **(Section F of NLSO Application), pages 22 and 23 of 37, Tables 4 and 5.**

33 Preamble:

34
35 Schedule 2.2A of Appendices H and I (the Expected Supply Cost Scenario for
36 2018TY and 2019TY, respectively) indicate an amount of \$17,506,694 for Plant in
37 Service for NLSO in 2018TY (Appendix H), and an amount of \$17,679,694 for
38 2019TY (Appendix I). These same amounts were found in the original application.
39 No Schedule 2.2A is presented for Appendices B and C.
40

- 41 a) Please explain why Schedule 2.2A is included in Appendices H and I (concerning the
42 Expected Supply Cost Scenario), but omitted from Appendices B and C (Revised
43 Deferral Account Scenario);
- 44 b) Please explain why the NLSO Plant in Service is included only in the schedules for the
45 Island Interconnected system, and not in those for the Labrador Interconnected System;

1 c) Please explain why the NLSO Plant in Service has not changed since P.U. 3(2018) came
2 into effect, or when Hydro expects these changes to be made; and

3 d) Please explain why the NLSO Plant in Service does not change between 2018TY and
4 2019TY, despite the fact that the LIL and LTA will be in service in 2019TY and will be
5 part of the NLSO assets.

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7
8 **LAB-NLH-84 Re: Additional Cost of Service Information; and NLSO, Methodology for**
9 **the Development of Rates for Transmission Service, pages 14 and 15 (Section F of**
10 **Application by Newfoundland and Labrador Hydro, acting in its capacity as the**
11 **Newfoundland and Labrador System Operator, (the "NLSO") for approval of**
12 **transmission rates, on an interim basis, approved under P.U. 3(2018))**

13 Citation (NLSO, Section F, pages 14 and 15):

14 Figure 2 below highlights the assets that are included in the NLSO
15 transmission tariff. The highlighted transmission assets (those operated at 230
16 kV or higher) and the associated terminal station equipment, form the basis for
17 the transmission tariff.¹⁵ High-voltage transmission assets that serve the
18 function of connecting generating units to the shared transmission system or
19 are used specifically for the benefit of a single customer or customer class are
20 functionalized as Specific Function Transmission Assets and hence do not
21 contribute to the revenue requirement included in the transmission rates.

22 ...

23 The total revenue requirement for Hydro's high-voltage transmission assets
24 included in the transmission tariff has been determined to be \$ 46.6 million for
25 the period prior to the LIL and LTA being accepted for commercial operations,
26 (the Pre LIL / LTA period) and includes all costs (asset amortization costs,
27 operating, maintenance and administration costs, purchases of transmission
28 service(s), interest and financing charges) plus Hydro's approved regulated
29 rate of return on equity.¹⁶ The revenue requirement captures costs relating to all
30 transmission and terminal station assets included in the tariff, functionalized in
31 a manner consistent with Hydro's 2018 Cost of Service Study as filed
32 November 2017 with the asset adjustment noted above (regarding TL-234 and
33 TL-263). Hydro's total revenue requirement after LIL and LTA are accepted
34 for commercial operations, (the Post LIL / LTA period) increases to \$ 47.0
35 million.¹⁷

36 ¹⁶ During the Pre LIL / LTA period, only Hydro owned transmission
37 assets on the Island Interconnected System are included in the tariff.

38 ¹⁷ During the Post LIL / LTA period, Hydro's 230 kV assets in Labrador
39 are also included in the tariff.

40
41 Preamble:

1 We have not been able to identify any amounts in the Additional Cost of Service
2 Information that correspond to the revenue requirements for Hydro's high-voltage
3 transmission assets that are now included in the NLSO transmission tariff.
4

- 5 a) Please indicate whether or not, subsequent to the issuance of P.U. 3(2018) — according
6 to which the rates for transmission service set out therein are approved on an interim
7 basis effective February 9, 2018 — the costs related to Hydro's high-voltage transmission
8 assets that are included in the NLSO revenue requirement are also included in the NLH
9 revenue requirement. If so, please explain why.
10
- 11 b) If Hydro's high-voltage transmission assets that are included in the NLSO revenue
12 requirement are not included in the NLH revenue requirement, please indicate what
13 schedules have been changed in the Cost of Service study, under the Deferral Account
14 Scenario and/or the Expected Supply Scenario, to reflect this fact.
15
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18 **LAB-NLH-85 Re: NLSO, Methodology for the Development of Rates for Transmission**
19 **Service (Section F of NLSO Application), pages 22 and 23 of 37, Tables 4 and 5; P.U.**
20 **3(2018), Schedule 9**

21 Preamble:

22 Table 4 of Section F indicates a NLSO revenue requirement of \$44.4 million for
23 Network Integration Transmission Service during the pre-LIL/LTA period.

24 Table 5 of Section F indicates a NLSO revenue requirement of \$96.8 million for
25 Network Integration Transmission Service during the post-LIL/LTA period.

26 Schedule 9 of P.U. 3(2018) indicates that the rate charged for Network Integration
27 Transmission Service (NITS) is \$3,253.42/MW of Reserved Capacity per month.
28

- 29 a) Please confirm that the NLSO revenue requirement for Network Integration
30 Transmission Service will be covered by the NITS rate paid by NLH for transmission
31 service to service its native load customers. If this is not the case, please explain what
32 entity or entities will be responsible for meeting the revenue requirement allocated to
33 NITS;
- 34 b) Please confirm that the rate set out in Schedule 9 ("the NITS rate") represents the
35 amounts to be paid by NLH to NLSO for transmission service for its Native Load
36 customers;
- 37 c) Please estimate the annual cost to NLH of the NITS rate in 2018TY and in 2019TY;
- 38 d) Please explain how the payments made under NITS rate will be allocated among the
39 various systems administered by NLH;

- 1 e) Please clarify if transmission service to Newfoundland Power is included in the NITS
2 rate; and
- 3 f) Please indicate where in the Additional Cost of Service Information for the Deferral
4 Account Scenario and/or the Expected Supply Scenario the amounts to be paid to
5 NLSO for Network Integration Transmission Service are found or, if they are not
6 included therein, why not.
- 7