

Office of the Consumer Advocate

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March 29, 2018

Via Courier

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

Dear Ms. Blundon:

RE: Newfoundland and Labrador Hydro - 2017 General Rate Application

Further to the above-captioned, enclosed please find enclosed the original and thirteen (13) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-248 to CA-NLH-290.

Yours truly,


Dennis Browne, Q.C.

Encl.
/bb

cc **Newfoundland & Labrador Hydro**
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IN THE MATTER OF

the *Electrical Power Control Act, 1994*
SNL 1994, Chapter E-5.1 (the “*EPCA*”)
and the *Public Utilities Act, RSNL 1990*,
Chapter P-47 (the “*Act*”), as amended; and

IN THE MATTER OF a General Rate
Application by Newfoundland and Labrador
Hydro to establish customer electricity rates
for 2018 and 2019.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NLH-248 to CA-NLH-290

Issued: March 29, 2018

- 1 CA-NLH-248 (Compliance Filing - Additional Cost of Service Information) Hydro has
2 filed with the Board three cost of service studies under its 2017 GRA
3 including the original cost of service study that might be referred to as the
4 “Deferral Account Scenario”, a “Revised Deferral Account Scenario”
5 incorporating updated fuel prices based on the fall 2017 fuel price update,
6 and an “Expected Supply Scenario” including off-island purchases and fuel
7 prices based on the fall 2017 fuel price update. Hydro is also proposing to
8 update information to reflect another update to the fuel price forecast in
9 April 2017. We note that on page 16, line 4 of the report Hydro states “*if*”
10 the Board approved use of the Expected Supply Scenario. Given that this is
11 Hydro’s application, which cost of service study and customer rates is
12 Hydro proposing for the Board’s consideration? Please provide support for
13 your proposal.
14
- 15 CA-NLH-249 (Compliance Filing - Additional Cost of Service Information) Do the
16 “Revised Deferral Account Scenario” and the “Expected Supply Scenario”
17 include adjustments to reflect the Draft Settlement Agreement among the
18 parties?
19
- 20 CA-NLH-250 (Compliance Filing - Additional Cost of Service Information) Is Hydro
21 proposing another round of settlement discussions on cost of service and
22 rate design? If not, why not, and if so, when does Hydro propose that such
23 settlement discussions take place?
24
- 25 CA-NLH-251 (Summary Report - Additional Cost of Service Information, page 17, lines
26 15 to 20) It is understood that coincident with an updated fuel price forecast,
27 Hydro will file a new cost of service study reflecting the updated fuel prices,
28 and a proposal for 2018 interim rates. Please confirm that this statement is
29 correct, and provide the date in April (April is only three days from now)
30 when Hydro expects to file this information.
31
- 32 CA-NLH-252 (Summary Report – Additional Cost of Service Information, page 7, Table
33 5) Please provide the calculation used to derive the estimates included in
34 Table 5 for Recapture Energy.
35
- 36 CA-NLH-253 (Summary Report – Additional Cost of Service Information, page 7, Table
37 5) Please provide the calculation used to derive the estimates included in
38 Table 5 for Maritime Link Purchases.
39

- 1 CA-NLH-254 (Summary Report – Additional Cost of Service Information, page 7, Table
2 5) Please file copies of all contracts for power purchases over the Maritime
3 Link. If confidentiality is a concern, please provide a table showing power
4 purchase contracts in aggregate form to eliminate such confidentiality
5 concerns including period of purchase, type of contract, source of energy
6 (i.e., gas, coal, oil, nuclear, hydro, other renewable, etc.), energy amounts
7 and price.
8
- 9 CA-NLH-255 (Summary Report – Additional Cost of Service Information, page 7, Table
10 5) If contracts for purchases over the Maritime Link are confidential, how
11 will Hydro prove to the Board that it has purchased energy at lowest cost
12 and avoid claims relating to prudence?
13
- 14 CA-NLH-256 (Summary Report – Additional Cost of Service Information, page 7, Table
15 5) For off-island purchases over the Maritime Link, is Hydro required to
16 follow the Provincial Government’s procurement policy; i.e., a process
17 similar to that followed for the procurement of the Holyrood combustion
18 turbine? If not, why not?
19
- 20 CA-NLH-257 (Summary Report – Additional Cost of Service Information, page 7, Table
21 5) Please describe in detail the process Hydro follows for procuring oil for
22 Holyrood TGS.
23
- 24 CA-NLH-258 (Summary Report – Additional Cost of Service Information, page 7, Table
25 5) Please provide Hydro’s best estimate of marginal energy costs for the
26 years 2018, 2019 and 2020 incorporating the quantities and costs of forecast
27 off-island purchases.
28
- 29 CA-NLH-259 (Summary Report – Additional Cost of Service Information, page 7, lines
30 13 to 16) Please provide the calculation used to derive Hydro’s forecast that
31 off-island purchases over the Maritime Link will be 10% lower than the
32 monthly forecast No. 6 fuel price.
33
- 34 CA-NLH-260 (Summary Report – Additional Cost of Service Information, page 7, lines
35 13 to 16) Is the forecast production cost at Holyrood 10.8 cents/kWh in
36 2018 and 9.8 cents/kWh in 2019? If not, please provide the correct figures
37 for these years.

- 1 CA-NLH-261 (Summary Report – Additional Cost of Service Information, page 7, lines
2 13 to 16) Please provide a comparison of the forecast cost of purchases over
3 the Maritime Link of 9.7 cents/kWh in 2018 and 8.8 cents/kWh in 2019 to
4 the actual cost of purchases to date over the Maritime Link. Please break
5 down purchase costs into energy and transmission (wheeling) components.
6
- 7 CA-NLH-262 (Summary Report – Additional Cost of Service Information, page 7, lines
8 13 to 16) Please provide a table showing purchases to date over the
9 Maritime Link (the 20 GWH cited in Footnote 19 and more recent data if
10 available) including date and time of purchase, seller, source of energy
11 purchased (i.e., gas, coal, oil, nuclear, hydro, other renewable, etc.),
12 quantity of energy purchased, cost of energy purchased and cost of
13 transmission (by zone/jurisdiction).
14
- 15 CA-NLH-263 (Summary Report – Additional Cost of Service Information, page 7, lines
16 13 to 16) Please provide a table showing a representative purchase from the
17 ISO New England pool (i.e., the hub price) on a weekday in March 2017
18 for 100 MW for each hour between the hours of 7 am and 11 pm including
19 the cost of energy and the cost of transmission (wheeling) by
20 zone/jurisdiction for delivery to the Island Interconnected System.
21
- 22 CA-NLH-264 (Summary Report – Additional Cost of Service Information, page 8, lines
23 16 to 17) It is stated “*For the purpose of preparing a financial projection
24 under the Expected Supply Scenario with existing rates, Hydro has assumed
25 it would retain any savings from off-island purchases.*” Please provide
26 further explanation of this assumption and explain why Hydro believes it is
27 appropriate for this comparison.
28
- 29 CA-NLH-265 (Summary Report – Additional Cost of Service Information, page 9, lines
30 8 to 13) It is stated that the forecast power purchase costs include “*the
31 forecast charges to Hydro for use of the Labrador-Island Link and the
32 Labrador Transmission Assets for 2018 and 2019.*” Are the charges
33 included for the Labrador-Island Link and the Labrador Transmission
34 Assets applied in a manner that is consistent with the open access
35 transmission tariff filing? Please explain.

- 1 CA-NLH-266 (Summary Report – Additional Cost of Service Information, page 9, lines
2 8 to 13) It is stated that the forecast power purchase costs include “*the*
3 *forecast charges to Hydro for use of the Labrador-Island Link and the*
4 *Labrador Transmission Assets for 2018 and 2019.*” Please identify these
5 charges and provide documentation justifying the amounts and explaining
6 why the Board should allow cost recovery in rates.
7
- 8 CA-NLH-267 (Summary Report – Additional Cost of Service Information, page 9, lines
9 8 to 13) It is stated that the forecast power purchase costs include “*the*
10 *forecast charges to Hydro for use of the Labrador-Island Link and the*
11 *Labrador Transmission Assets for 2018 and 2019.*” If Island Customers do
12 not purchase Recapture Energy over the Labrador-Island Link and Labrador
13 Transmission Assets in 2018 and 2019, what costs will Nalcor incur in these
14 years to operate and maintain these transmission assets? What would
15 Nalcor do with these assets until Muskrat Falls generation comes on line if
16 there are no deliveries of Recapture Energy to the Island?
17
- 18 CA-NLH-268 (Summary Report – Additional Cost of Service Information, page 9, lines
19 8 to 13) It is stated that the forecast power purchase costs include “*the*
20 *forecast charges to Hydro for use of the Labrador-Island Link and the*
21 *Labrador Transmission Assets for 2018 and 2019.*” In light of OC2013-043
22 which prohibits recovery of Muskrat Falls costs until the project is
23 commissioned or near commissioning, has Hydro obtained a legal opinion
24 indicating that recovery of LIL/LTA O&M costs in 2018 and 2019 is
25 allowed? If so, please provide the legal opinion. If not, please provide
26 Hydro’s justification for including these costs for recovery in 2018 and
27 2019 rates.
28
- 29 CA-NLH-269 (Summary Report – Additional Cost of Service Information, page 9, lines
30 14 to 15) It is stated that the Holyrood capacity factor for the 2019 test year
31 is 15.7%. Given the assumption that purchases over the Maritime Link will
32 be 10% lower than forecast No. 6 fuel prices, why is Holyrood capacity
33 factor not closer to zero (i.e., 1 or 2%) consistent with operation in standby
34 mode; i.e., for supply during system emergencies? Please provide
35 documentation explaining how Hydro arrived at a projected Holyrood
36 capacity factor of 15.7% in the 2019 test year.

- 1 CA-NLH-270 (Summary Report – Additional Cost of Service Information, page 9, lines
2 19 to 21) Please provide the basis for reducing the fuel conversion factor at
3 Holyrood in the 2019 test year from 616 kWh per barrel in the “Revised
4 Deferral Account Scenario” to 583 kWh per barrel in the “Expected Supply
5 Scenario”. Please describe the expected operating pattern for Holyrood in
6 2019. For example, is it expected to operate at low output levels for much
7 of the winter period, or high output levels infrequently over the winter
8 period?
9
- 10 CA-NLH-271 (Summary Report – Additional Cost of Service Information, page 9,
11 Section 3.4.1) Please provide a table showing the customer impacts of the
12 proposed change in the methodology for assigning specifically-assigned
13 O&M costs under the “Expected Supply Scenario”.
14
- 15 CA-NLH-272 (Summary Report – Additional Cost of Service Information, page 9,
16 Section 3.4.1) Please provide a table showing each category of cost
17 included in specifically-assigned O&M costs. Please include columns
18 showing the account number, the account category/name, a brief
19 explanation of the types of activities covered in the account, the amount
20 allocated to the account for collection in the cost of service study for the
21 2019 test year, and an opinion of whether the costs in the account vary
22 significantly with the age of assets. Please provide the source for the
23 opinion.
24
- 25 CA-NLH-273 (Summary Report – Additional Cost of Service Information, page 11, lines
26 1 to 3) It is stated “*Table 7 shows that, after removing the impacts of the
27 RSP billings, Hydro’s revenue deficiencies are approximately \$46 million
28 for the 2018 Test Year and approximately \$19 million for the 2019 Test
29 Year under the Expected Supply Scenario.*” Please explain in detail the
30 process followed for “*removing the impacts of the RSP billings*”.
31
- 32 CA-NLH-274 (Summary Report – Additional Cost of Service Information, page 11, lines
33 5 to 6) It is stated “*The conclusion of the existing RSP adjustments will
34 impact billings to customers but will not increase Hydro’s revenue unless
35 new base rates are approved.*” Please explain in detail what Hydro means
36 when it says, “*the conclusion of the existing RSP adjustments*”.

- 1 CA-NLH-275 (Summary Report – Additional Cost of Service Information, pages 12 and
2 13, Tables 8 and 9) What is Hydro proposing with respect to rate
3 adjustments for the 2017 GRA? For example, is Hydro proposing: 1) rate
4 adjustments summarized in Tables 8 and 9 for the Expected Supply
5 Scenario?, or 2) rate adjustments summarized in Tables 8 and 9 for the
6 Expected Supply Scenario following adjustments that may be necessary to
7 incorporate the new fuel forecast expected to be available in April 2018, or
8 3) some other scenario? Please provide support for Hydro’s proposal.
9
- 10 CA-NLH-276 (Summary Report – Additional Cost of Service Information, pages 12 and
11 13, Tables 8 and 9) For comparison purposes, please provide Tables 8 and
12 9 with an additional column showing the original Deferral Account
13 Scenario filed with the 2017 GRA.
14
- 15 CA-NLH-277 (Summary Report – Additional Cost of Service Information, pages 12 and
16 13, Tables 8 and 9) For comparison purposes, please provide Tables 8 and
17 9 with an additional column showing the original Deferral Account
18 Scenario filed with the 2017 GRA, and the Revised Deferral Account
19 Scenario and the Expected Supply Scenario with adjustments to reflect the
20 Draft Settlement Agreement.
21
- 22 CA-NLH-278 (Summary Report – Additional Cost of Service Information, pages 12 and
23 13, Tables 8 and 9) For the Expected Supply Scenario, if it were assumed
24 that rates in 2018 for Island Customers remained frozen at today’s levels
25 and that Hydro were granted interim rates for 2018 consistent with the
26 amounts shown in Table 8, but that the additional revenue were held in a
27 deferral account for full recovery in 2019, what would be the resulting rate
28 changes for Island Customers in 2019; i.e., after accounting for money
29 accumulated in the 2018 interim rates deferral account?
30
- 31 CA-NLH-279 (Summary Report – Additional Cost of Service Information, page 15, lines
32 6 to 13) It is stated that there is uncertainty with respect to the availability
33 of Recapture Energy owing to increased service requests from data centers
34 and the timing of the Labrador-Island Link. Please provide the most
35 information available with respect to the timing of the Labrador-Island
36 Link.

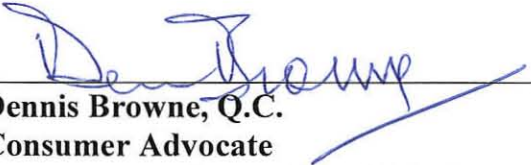
- 1 CA-NLH-280 (Summary Report – Additional Cost of Service Information, page 15, lines
2 6 to 13) It is stated that there is uncertainty with respect to the availability
3 of Recapture Energy owing to increased service requests from data centers.
4 Please provide the following:
5 1) The number of people expected to be employed by these new data
6 centers by year from 2018 through 2022;
7 2) The capacity and energy requirements (firm and interruptible) of the
8 new data centers by year from 2018 through 2022; and
9 3) Details about the types of new data centers; i.e., bitcoin, etc.
10
- 11 CA-NLH-281 (Summary Report – Additional Cost of Service Information, page 15, lines
12 6 to 13) It is stated that there is uncertainty with respect to the availability
13 of Recapture Energy owing to increased service requests from data centers.
14 In the response to CA-NLH-30 Hydro confirms that the Island Residential
15 rate post Muskrat Falls is projected to be 26.32 cents/kWh (HST included).
16 Please update this figure for the case where there is no Recapture Energy
17 available for supply to Island Customers post Muskrat Falls.
18
- 19 CA-NLH-282 (Summary Report – Additional Cost of Service Information, page 15,
20 Section 5 on Deferral Account Requirements) Did Hydro consider a
21 simplified deferral account which at year-end determines the average cost
22 of supply for the year, compares it to the average cost of supply included in
23 the approved cost of service study, adjusts for variations in load, and then
24 adjusts rates in the following year through a surcharge either upwards to
25 recover a shortfall, or downwards to return to customers any over-payment?
26 Would a single supply cost variance account such as this not be a better
27 alternative than having both the proposed deferral account and the RSP with
28 the associated concerns relating to duplication and harmonization between
29 the accounts?
30
- 31 CA-NLH-283 (Summary Report – Additional Cost of Service Information, page 15,
32 Section 5 on Deferral Account Requirements) Please provide a list of
33 jurisdictions that use multiple supply cost variance accounts for a single
34 jurisdiction such as that proposed by Hydro.

- 1 CA-NLH-284 (Summary Report – Additional Cost of Service Information, page 16, lines
2 4 to 7) Hydro states “*If the Board approved the use of the Expected Supply*
3 *Scenario, Hydro would propose to modify the RSP rules to dispose the*
4 *balance in the RSP Hydraulic Variation Component over the same period*
5 *as the Board would determine for disposition of the balance in the Energy*
6 *Supply Cost Variance Deferral Account.*” What period of time is Hydro
7 proposing for disposition of the balance in the account and why would it be
8 any more than one year?
9
- 10 CA-NLH-285 (Summary Report – Additional Cost of Service Information, page 17, lines
11 15 to 20) It is noted that the forecast price of fuel can materially impact
12 customer rates. Please provide the information in Tables 8 and 9 for the
13 Expected Supply Scenario based on a forecast fuel price 20% greater, and
14 alternatively 20% lower, than the fall 2017 fuel price update.
15
- 16 CA-NLH-286 (Summary Report – Additional Cost of Service Information – Cost of
17 Service Studies) Did Hydro incorporate elasticity impacts on load resulting
18 from the different rates in the compliance filing from those in the original
19 Deferral Account Scenario?
20
- 21 CA-NLH-287 (Summary Report – Additional Cost of Service Information, Cost of
22 Service Studies) Please provide the reference in the cost of service study
23 annexes where the classification and functionalization of off-island
24 purchases and LIL/LTA transmission are shown.
25
- 26 CA-NLH-288 (Summary Report – Additional Cost of Service Information, Appendix L)
27 Please provide a numerical example showing how the Revised Energy
28 Supply Cost Variance Account and the RSP would be calculated, and
29 displaying that there would be no duplication or double counting.
30
- 31 CA-NLH-289 (Summary Report – Additional Cost of Service Information, Appendix L)
32 Does the Revised Energy Supply Cost Variance Account incorporate
33 transmission (wheeling) costs for bringing purchased energy to the Island?
34 Does it ensure that Island Customers do not pay twice for transmission
35 given that Island transmission costs are already included in rates?

1 CA-NLH-290 (Summary Report – Additional Cost of Service Information, Appendix L)
2 What is the basis for the \$500,000 Cost Variance Threshold? How does it
3 compare to that used in other jurisdictions with supply cost variance
4 accounts?

DATED at St. John's, Newfoundland and Labrador, this 29th day of March, 2018.

Per:



Dennis Browne, Q.C.
Consumer Advocate

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