

The Consumer Advocate

PO Box 23135
Terrace on the Square
St. John's, NL Canada
A1B 4J9

Tel: 709-724-3800
Fax: 709-754-3800

September 5, 2018

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 Power's 2019-2020 General Rate Application

Further to the above-captioned, enclosed please find enclosed the original and twelve (12) copies of the Consumer Advocate's Requests for Information numbered CA-NP-135 to CA-NP-158. Due to inadvertence these Requests for Information had been omitted from the RFIs submitted to the Board on August 31, 2018. We therefore request the parties' indulgence in submitting the same at this time.

A copy of this letter, together with enclosure, has been forwarded directly to the parties listed below.

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

Yours truly,



**Dennis Browne, Q.C.
Consumer Advocate**

Encl.
/bb

cc

Newfoundland Power Inc.
NP Regulatory (regulatory@newfoundlandpower.com)
Gerard Hayes (ghayes@newfoundlandpower.com)
Kelly Hopkins (khopkins@newfoundlandpower.com)
Liam O'Brien (lobrien@cu.tisdawenl.ca)
IBEW
Mark Murray (mmurray@mwslaw.com)
Board of Commissioners of Public Utilities
Cheryl Blundon (cblundon@pub.nl.ca)
Jacqui Glynn (jglynna@pub.nl.ca)
Maureen Greene (murgene@pub.nl.ca)
PUB Official Email (ito@pub.nl.ca)

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 filed by Newfoundland Power Inc.
to establish customer electricity rates for 2019
and 2020

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION**

CA-NP-135 to CA-NP-158

Issued: September 5, 2018

- 1 CA-NP-135 (CA-NP-11) Please explain the rationale for charging reconnection fees that
2 are so much lower than the cost to reconnect customers.
3
- 4 CA-NP-136 (CA-NP-15) Please explain the rationale for charging application fees that
5 are so much lower than the cost to process an application, particularly when
6 the fee also appears to be much lower than that charged in other
7 jurisdictions.
8
- 9 CA-NP-137 (CA-NP-22) Did Liberty consider the “value” that customers place on
10 increased reliability when undertaking its study?
11
- 12 CA-NP-138 (CA-NP-22) It is stated “*The reliability experienced by customers
13 principally reflects the general condition of the electrical system.
14 Newfoundland Power maintains the condition of its electrical system by
15 applying mandatory construction and maintenance standards and by using
16 inspection and maintenance guidelines that reflect industry best practices.*”
17 Why is NP’s reliability so much better than jurisdictions elsewhere? Are
18 other jurisdictions not properly maintaining their systems, or not applying
19 mandatory construction and maintenance standards and using inspection
20 and maintenance guidelines that reflect industry best practice? Is it possible
21 that climate impacts are not as harsh on the Island as they are in other
22 Canadian jurisdictions?
23
- 24 CA-NP-139 Please provide a comparison of the weather-related risk to reliability on the
25 Island to a jurisdiction such as the state of Virginia which experiences
26 earthquakes, severe thunder storms, hurricanes, derechos (severe prolonged
27 thunder storm such as that experienced in northern Virginia in 2012), snow,
28 hail and ice storms, salt contamination, and all in an area with mature, fast-
29 growing trees that can create havoc during high-wind weather-related
30 incidents.
31
- 32 CA-NP-140 (CA-NP-26) It is stated in the footnote “*Since 2016, 42% of respondents
33 ranking the Company’s overall service level of 6 or lower indicated that
34 price was the reason for the low ranking and 25% of respondents indicated
35 that reliability was the reason for the low ranking.*”
36
- 37 a) Why does NP not pose questions in the customer survey aimed at
38 understanding the value that customers place on reliability and
39 willingness to pay?

1 b) Do the NP staff who follow up with customers ranking the company at
2 less than 6 ask the customers what they would be willing to pay for
3 increased reliability which might provide a basis for adjustment of the
4 capital and maintenance programs accordingly?
5

6 CA-NP-141 (CA-NP-26, Pre-filed Evidence of Larry Brockman, Testimony on Behalf
7 of Newfoundland Power dated November 1, 2016) On behalf of NP, Mr.
8 Brockman filed testimony with respect to Phase Two of the *Board's*
9 *Investigation and Hearing into Supply Issues and Power Outages on the*
10 *Island Interconnected System*. On page 23, lines 15 to 18 Mr. Brockman
11 states "*Reliability planning involves consideration of the likelihood of*
12 *outages, the severity of consequences of those outages, and the cost of*
13 *measures required to mitigate those outages. It also requires the*
14 *application of judgment to determine the appropriate balance of cost and*
15 *reliability.*" Please explain how NP takes these criteria into account in its
16 capital and maintenance programs to ensure the appropriate balance of cost
17 and reliability is struck considering that its reliability measures are
18 considerably better than the Canadian average in a climate that NP claims
19 is more detrimental to reliability than the Canadian average.
20

21 CA-NP-142 (CA-NP-29) Does NP agree that there is an expectation that marginal costs
22 will be much reduced during the 2019 and 2020 test years? Why does NP
23 not reflect the expected trend in reduced marginal costs in its application?
24

25 CA-NP-143 (CA-NP-30, CA-NP-51) Is it accurate to say that NP does not monitor what
26 heat pump and net metering equipment marketers are telling customers
27 about the economics of heat pumps and net metering installations going
28 forward? Who in the Province is responsible for ensuring that customers
29 are not being misled by marketers of energy efficient and net metering
30 equipment? Is there a "*customer bill of rights*" in the Province?
31

32 CA-NP-144 (CA-NP-43) It is stated "*Given there have been no material changes in*
33 *Newfoundland Power's performance over the last decade, the adoption of*
34 *a Distribution Reliability and Service Standard would not, in the*
35 *Company's view, provide tangible benefits to customers.*" Why should the
36 Board grant NP an increase in revenues when there has been no material
37 change in NP's performance over the last decade?

1 CA-NP-145 (CA-NP-43, footnote 1, Order No. P.U. 32(2007), p.39) On page 39 the
 2 Board states *“The Board does not accept that the establishment of*
 3 *distribution and reliability service standards as proposed by the Consumer*
 4 *Advocate is necessary at this time, given the existing regulatory oversight*
 5 *and the generally positive reliability measures reported for NP’s system.*
 6 *However the Board is interested in exploring the possible application of the*
 7 *CEA standard performance indicators which are currently being developed*
 8 *to existing regulatory reporting requirements. To that end, once the CEA*
 9 *standards are finalized and accepted, the Board will require NP to report*
 10 *as to how these standards could be used in this Province. This may assist*
 11 *the Board in considering whether further action in relation to reliability*
 12 *and service quality standards is warranted.”*

- 13
- 14 a) Please confirm that the Board ruled out the distribution and reliability
 15 service standard *“at this time”*, meaning 11 years ago.
- 16
- 17 b) Have the CEA standards referred to by the Board been finalized? If so,
 18 please file supporting documentation.
- 19
- 20 c) Please file a copy of NP’s report on how the CEA standards could be
 21 used in this Province and the Board’s response in considering whether
 22 further action in relation to reliability and service quality standards is
 23 warranted.
- 24

25 CA-NP-146 (CA-NP-45) These questions relate to the January 24, 2018 Peer Group
 26 Report attached to CA-NP-45.

- 27
- 28 a) It is stated on page 1 *“This report is provided in fulfillment of the*
 29 *Company’s commitment to report annually on the measures presented*
 30 *in the February 2005 Report. The performance information is updated*
 31 *to 2016.”* When will the report be updated to 2017?
- 32
- 33 b) It is stated on page 2 *“The measures for the U.S. data are presented*
 34 *without any adjustment for exchange rates. With the significant shifting*
 35 *in exchange rates over time, converting U.S. dollar figures to Canadian*
 36 *values would greatly distort cost trends.”* Why not show results both
 37 with and without adjustments for exchange rates adjusting the Canadian
 38 data to reflect the average dollar exchange rate for each year as
 39 published by the Bank of Canada?

1 c) The SAIDI and SAIFI statistics on pages A-1 and A-3 appear to show
 2 that NP reliability performance has lagged the Canadian average over
 3 the past 5 years (through 2016) even when 2014 is removed from the
 4 calculation. NP information filed with the application indicates that NP
 5 performance has far exceeded the Canadian average. Please explain this
 6 discrepancy.

7
 8 d) Does NP believe that the Island system experiences more severe storms
 9 than other Canadian systems?

10
 11 e) The report shows that U.S. costs are trending upward in a number of
 12 categories (i.e., cost per customer, cost per MWh of sales, etc.). It is
 13 understood that this is in part owing to decreasing sales. Are there other
 14 reasons for the increasing cost trends in the U.S? Is NP forecasting a
 15 similar trend for its costs going forward in light of Muskrat Falls and the
 16 Provincial economy? Please file any such cost trends compiled by NP.

17
 18 f) Page B-7 of the report indicates that NP has a much higher share of
 19 “*administration and other operating expenses*” than U.S. utilities. Why?
 20 Do U.S. utilities use a different accounting treatment for OPED costs?

21
 22 CA-NP-147

(PUB-NP-2 and PUB-NP-15) The response relates to NP cost management
 23 efforts and identifies cost savings in 6 principle areas. Please provide the
 24 following:

25
 26 a) A table summarizing the cost savings in dollars included in the 2019 and
 27 2020 test years for each initiative and in total and show the percentage
 28 of the revenue requirement saved in each test year as a result of these
 29 cost savings programs.

30
 31 b) Have there been issues with the use of LED street lighting identified in
 32 other jurisdictions? Please identify any such issues and indicate why
 33 these issues are not judged important on the Island.

34
 35 CA-NP-148

(PUB-NP-9) It is stated “*The Director, Revenue and Supply was
 36 repositioned to include a focus on the transitioning of the Company to a
 37 post-Muskrat Falls power system in the province.*” What is involved in
 38 transitioning a distribution utility such as NP to a “*post-Muskrat Falls
 39 power system*”?


- 1 CA-NP-149 (PUB-NP-12) The response discusses various means for mitigating
 2 customer rate impacts owing to Muskrat Falls. It is stated “*Legislative*
 3 *amendments following Government sanction granted Hydro the exclusive*
 4 *right to sell electrical power or energy to Newfoundland Power and*
 5 *industrial customers on the island of Newfoundland.*” In NP’s opinion
 6 should this legislative amendment be overturned? Is NP in a position to
 7 purchase power to supply the needs of its own customers?
 8
- 9 CA-NP-150 (PUB-NP-12) The response discusses various means for mitigating
 10 customer rate impacts owing to Muskrat Falls. It is stated “*Orders in*
 11 *Council effectively exempt the Muskrat Falls Project from the Board’s*
 12 *oversight under the Electrical Power Control Act, 1994 and the Public*
 13 *Utilities Act and required the Board to approve recovery of all Muskrat*
 14 *Falls Project costs from customers on the island of Newfoundland.*”
 15
- 16 a) In NP’s opinion should Muskrat Falls costs be exempted from Board
 17 oversight and should the Board be required to approve all Muskrat Falls
 18 costs from customers on the Island? Please explain.
 19
- 20 b) What would be involved in overturning these Orders-in-Council?
 21
- 22 c) Besides the orders-in-council, are there other legal/contractual
 23 requirements that require Muskrat Falls to be exempted from Board
 24 oversight and pass all project costs through to customers on the Island?
 25
- 26 CA-NP-151 (PUB-NP-12) The response discusses various means for mitigating
 27 customer rate impacts owing to Muskrat Falls. It is stated “*Government has*
 28 *indicated that it intends to limit residential rates to approximately*
 29 *17¢/kWh.*” Is NP aware of any other Government commitment or direction
 30 (besides the source quoted in footnote 16) that it intends to limit customer
 31 rate impacts?
 32
- 33 CA-NP-152 (PUB-NP-12) The response discusses various means for mitigating
 34 customer rate impacts owing to Muskrat Falls. It is stated with respect to
 35 rate mitigation “*Nalcor’s role is to provide Government with options.*” Is
 36 NP aware of any rate mitigation options provided by Nalcor to the
 37 Government?

- 1 CA-NP-153 (PUB-NP-12) The response discusses various means for mitigating
2 customer rate impacts owing to Muskrat Falls. It is stated “*Currently,*
3 *revenue from power exports associated with the Muskrat Falls Project is*
4 *not applied against the Muskrat Falls Project costs to be recovered in*
5 *island customers’ rates.*” Please provide the source confirming that revenue
6 from exports is not applied against Muskrat Falls costs. Does NP have an
7 estimate of what impact this would have on customer rates?
8
- 9 CA-NP-154 (PUB-NP-12) The response discusses various means for mitigating
10 customer rate impacts owing to Muskrat Falls. Would developing new
11 markets for power within the Province have a similar effect with respect to
12 rate mitigation as selling surplus power on the open market?
13
- 14 CA-NP-155 (PUB-NP-12) The response discusses various means for mitigating
15 customer rate impacts owing to Muskrat Falls. It is stated “*The potential*
16 *magnitude of those costs indicates that there is merit in a full and thorough*
17 *consideration of the options available to mitigate customer rate impacts.*”
18 What does NP propose as a means/methodology for considering the options
19 available for mitigating customer rate impacts?
20
- 21 CA-NP-156 (PUB-NP-18) The response quotes from a report produced 20 years ago
22 when NP performance was lagging the average of Canadian utilities. Does
23 NP believe this 20-year old report is relevant today when NP’s performance
24 is considerably better than the Canadian average? Rather than striving to
25 beat the Canadian average, would this not be a good time to reduce costs
26 owing to the poor Provincial economy and the huge rate increases expected
27 to be brought on by Muskrat Falls?
28
- 29 CA-NP-157 (PUB-NP-52) When NP decides to serve a customer who is renting from a
30 landlord, is the contract legally binding on the customer (i.e., the tenant) or
31 the landlord? Is the landlord responsible for covering any arrears brought
32 on by its tenants?
33
- 34 CA-NP-158 It is understood that the proposed 1.2% rate increase is required based solely
35 on the NP cost of capital expert’s opinion that a higher return is justified
36 based on a perceived increase in NP’s business risk since the last GRA
37 filing. It is also understood that the perceived increase in business risk is
38 brought on primarily by the increase in Muskrat Falls costs and the
39 deterioration in the Provincial economy.

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- a) Please confirm or correct the above statements.
- b) Please confirm that the reasons for increased business risk also make a case for avoiding additional rate increases for customers during these difficult times.
- c) Please identify all alternatives considered by NP to cut costs to a point where the rate increase brought on by the proposed increase in return would be fully mitigated resulting in no rate increase for NP customers.
- d) What would be the repercussions and impact on rates in the 2019 and 2020 test years of delaying the customer information project until 2021 or beyond?

DATED at St. John's, Newfoundland and Labrador, this 5th day of September, 2018.

Per: 

Dennis Browne, Q.C.

Consumer Advocate

Terrace on the Square, Level 2, P.O. Box 23135
St. John's, Newfoundland & Labrador A1B 4J9

Telephone: (709) 724-3800

Telecopier: (709) 754-3800