

# The Consumer Advocate

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November 28, 2019

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's 2020 Capital Budget Application**

Further to the above-captioned, enclosed please find enclosed the original and twelve (12) copies of the Consumer Advocate's Requests for Information CA-NLH-015 to CA-NLH-034.

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

Yours truly,



**Dennis Browne, Q.C.**

/jl  
Enclosure

cc

**Newfoundland & Labrador Hydro**  
Shirley Walsh ([ShirleyWalsh@nlh.nl.ca](mailto:ShirleyWalsh@nlh.nl.ca))  
Geoff Young ([gyoung@nlh.nl.ca](mailto:gyoung@nlh.nl.ca))  
NLH Regulatory ([NLHRegulatory@nlh.nl.ca](mailto:NLHRegulatory@nlh.nl.ca))

**Newfoundland Power Inc.**  
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**IN THE MATTER OF**  
the *Public Utilities Act*, (the "*Act*");

AND

**IN THE MATTER OF**  
an application by Newfoundland and Labrador Hydro ("Hydro") for an order approving: (i) its 2020 Capital Budget pursuant to s.41(1) of the *Act*; (ii) its 2020 capital purchases and construction projects in excess of \$50,000 pursuant to s.41(3)(a) of the *Act*; (iii) its estimated contributions in aid of construction for 2020 pursuant to s.41(5) of the *Act*; and (iv) for an order pursuant to s.78 of the *Act* fixing and determining its average rate base for 2015 and 2016.

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**CONSUMER ADVOCATE  
REQUESTS FOR INFORMATION  
ARISING FROM TECHNICAL CONFERENCE  
CA-NLH-015 to CA-NLH-034**

**Issued: November 28, 2019**

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- 1 CA-NLH-015 What are current Hydro and Government plans relating to the  
2 addition of renewable energy sources in rural and isolated  
3 communities in the Province to displace diesel generation?  
4
- 5 CA-NLH-016 Could wood pole management for both Hydro and NP be  
6 combined under one entity to effect cost savings?  
7
- 8 CA-NLH-017 Could wood pole line inspections for both Hydro and NP be  
9 combined under one entity to effect cost savings? How many wood  
10 poles are managed by Hydro? How many wood poles are managed  
11 by NP?  
12
- 13 CA-NLH-018 It is understood that Emera owns transmission lines on the Island  
14 Interconnected System. Are these lines under the operational  
15 control of the NL System Operator? Who maintains these lines?  
16
- 17 CA-NLH-019 Please confirm that the results of the Digital Engagement Initiative  
18 which shows that customers are generally satisfied with current  
19 levels of reliability and are not willing to pay higher rates for  
20 increased reliability have not influenced Hydro's 2020 Capital  
21 Budget and explain why not.  
22
- 23 CA-NLH-020 It was stated at the Technical Conference that current rate  
24 pressures brought on by the Muskrat Falls Project have influenced  
25 Hydro senior management's budget approach and that Hydro  
26 senior management asked department heads to cut back on budgets  
27 in an effort to mitigate rate impacts. Has this always been the  
28 approach of Hydro senior management, or was this directly related  
29 to the rate pressures on Island electricity consumers? Has there  
30 ever been a time in the past when Hydro has cut back on its  
31 spending in response to difficult financial times in the Province?

- 1
- 2 CA-NLH-021 Please identify specific actions taken by Hydro in its capital budget  
3 in response to rate pressures brought on by the Muskrat Falls  
4 Project.
- 5
- 6 CA-NLH-022 In PUB-NP-003 relating to NP's 2020 Capital Budget Application  
7 the Board asks if there is an opportunity to delay or reduce capital  
8 expenditures in light of current pressures on customer rates. The  
9 response indicates that there is not because NP is "*always required*  
10 *to ensure its capital expenditures are consistent with the least-cost*  
11 *delivery of safe and reliable service to customers*". The response  
12 goes on to say that all expenditures in the Capital Budget  
13 Application meet this standard. Is Hydro also required to "*ensure*  
14 *its capital expenditures are consistent with the least-cost delivery*  
15 *of safe and reliable service to customers*"? Have there been times  
16 when Hydro has delayed capital projects? Please provide examples  
17 of capital projects that have been delayed in the past, and explain  
18 what subsequent actions were taken and identify the impact of the  
19 delay on customers.
- 20
- 21 CA-NLH-023 Does Hydro anticipate filing a Supplemental Capital Budget  
22 Application or to add expenditures in its Allowance for Unforeseen  
23 Items Account following the review of the Reliability and  
24 Resource Adequacy Study?
- 25
- 26 CA-NLH-024 During NP's presentation on labour capitalization at the Technical  
27 Conference it was stated that rate stability is an important criterion.  
28 Upon further clarification, it was stated that the rate stability  
29 criterion relates only to general expenses capitalized (GEC) and  
30 stems from Board Order No. P.U. 3(1995-96).

- 1 (a) In Hydro's opinion is it important that rate stability be a  
2 consideration in the GEC component but not other components of  
3 a capital budget?
- 4 (b) Is it Hydro's understanding that the Board's Order implies that rate  
5 stability is important only as it relates to GEC?
- 6 (c) Have Hydro's customers indicated a preference for rate stability  
7 from the perspective of GEC but not from the overall perspective  
8 of the capital budget?  
9
- 10 CA-NLH-025 Hydro attended the technical conference on NP's capital budget.  
11 Are Newfoundland Power's practices and procedures pertaining to  
12 capital projects similar to the practices and procedures employed  
13 by Hydro for equipment replacement? What are the similarities  
14 and the differences?  
15
- 16 CA-NLH-026 When a contractor identifies a project based on safety concerns,  
17 does Hydro always accept the recommendation? Does Hydro ever  
18 get a third-party opinion?  
19
- 20 CA-NLH-027 Are customer impacts a consideration in Hydro's Transmission  
21 Line Rebuild Strategy? Do customer impacts relate entirely to  
22 reliability or are cost considerations also considered? If so, how are  
23 cost considerations taken into consideration?  
24
- 25 CA-NLH-028 What would happen if the Board were to disallow costs for feeder  
26 improvement programs for the next two years? If the Board were  
27 to disallow cost recovery, would Hydro do the work anyway since  
28 you believe the work is so important for customer reliability?  
29
- 30 CA-NLH-029 How many feeders does Hydro upgrade each year to improve  
31 reliability on its distribution system? Is it always this number?  
32 Given that these upgrades are required to meet Hydro's obligations

- 1 related to providing reliable service, why not do 20 or 30 feeders  
2 each year? How do you know when you have met your  
3 “*obligation*” relating to the provision of reliable service?  
4
- 5 CA-NLH-030 Please provide a comparator relative to NP’s maintenance and  
6 practices carried out on poles and transmission lines and Hydro’s  
7 comparator practices on poles and transmission lines and please  
8 provide comparisons of the average life of poles in Hydro’s  
9 systems versus those in NP’s system and all available comparative  
10 data.  
11
- 12 CA-NLH-031 In the Phase II Report of the Liberty Consulting Group at page 61  
13 thereof, Liberty identified five procurement categories such as  
14 Vegetation Management Contractors, Wood Pole Installation  
15 Contractors, T&D Construction and Maintenance Contractors,  
16 Distribution Transformer Purchases and Electrical Supplies  
17 Purchases and noted significant annual spending by both utilities in  
18 relation to these categories. Liberty then stated as follows “*we*  
19 *consider these five categories worth specific pursuit with both*  
20 *existing vendor and supplier communities and those who may find*  
21 *the efforts to pursue business on the island more attractive under*  
22 *combined volumes*”. Has Hydro commenced any communication  
23 with Newfoundland Power in relation to this joint procurement  
24 recommendation by Liberty?  
25
- 26 CA-NLH-032 Expenditures between the Province’s two utilities are very high,  
27 over \$200 million annually, at a time when there is significant  
28 pressure on customer rates. Can Hydro recommend any changes  
29 that might improve the current capital budget process and enhance  
30 its value to consumers?  
31

- 1 CA-NLH-033 What financial analysis has Hydro undertaken based on Liberty's  
2 findings re: procurement and on duplications and services between  
3 the two utilities and the costs of these duplications for ratepayers?  
4
- 5 CA-NLH-034 The Board's Capital Application Guidelines under **Supporting**  
6 **Information** require a utility show where appropriate (a) historical  
7 spending patterns; (b) maintenance history; (c) reliability data; (d)  
8 growth (e) all reasonable alternatives, including deferral, have been  
9 considered; (f) the expenditure as proposed is the least cost option  
10 unit and/or aggregate cost data including, where available, similar  
11 cost for the preceding five (5) years; and, (g) net present value.  
12 Please provide this information and the history of outages, causes  
13 and length of outages for the last five (5) years on the applicable  
14 Capital Projects.

Dated at St. John's in the Province of Newfoundland and Labrador, this 28<sup>th</sup> day of  
November, 2019.

Per: 

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

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