

The Consumer Advocate

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November 21, 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: NP 2020 Capital Budget Application

Further to the above-captioned, enclosed please find enclosed the original and twelve (12) copies of the Consumer Advocate Request for Information CA-NP-001 to CA-NP-017.

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 and Labrador Hydro:**

Geoff Young, Q.C. (gyoung@nlh.nl.ca)
Shirley Walsh (shirleywalsh@nlh.nl.ca)
NLH Regulatory (Regulatory@nlh.nl.ca)

Newfoundland Power Inc.:

Gerard Hayes (ghayes@newfoundlandpower.com)
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IN **THE MATTER OF** the *Public Utilities Act*, (the "*Act*");

AND

IN **THE MATTER OF** capital expenditures and rate base of Newfoundland Power Inc.;

AND

IN **THE MATTER OF**
An Application by Newfoundland Power Inc. for an order pursuant to Sections 41 and 78 of the Act:

- (a) approving a 2020 Capital Budget of \$96,614,000;
- (b) approving certain capital expenditures related to multi-year projects commencing in 2020; and
- (c) fixing and determining a 2018 rate base of \$1,117,341,000.

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
ARISING FROM TECHNICAL CONFERENCE
CA-NP-001 to CA-NP-017**

Issued: November 21, 2019

- 1 CA-NP-001 It was stated at the Technical Conference that generally, labour
2 costs associated with projects that provide benefits extending for
3 more than a year are capitalized. Please provide examples of labour
4 costs that are expensed because they are associated with projects
5 with benefits that extend for less than a year. For example, how are
6 the labour costs associated with tree trimming categorized?
7
- 8 CA-NP-002 It was stated at the Technical Conference that generally, labour
9 costs associated with projects that provide benefits extending for
10 more than a year are capitalized. Is this standard comparable to the
11 standard used at Hydro? How does the capitalized labour
12 component of NP costs compare to those at Hydro in percentage
13 terms?
14
- 15 CA-NP-003 It was stated at the Technical Conference that line inspectors are
16 NP employees. Does Hydro also have line inspectors? Is it
17 necessary for both utilities to have their own line inspectors?
18
- 19 CA-NP-004 During the presentation on labour capitalization at the Technical
20 Conference it was stated that rate stability is an important criterion.
21 Upon further clarification, it was stated that the rate stability
22 criterion relates only to general expenses capitalized (GEC) and
23 stems from Board Order No. P.U. 3(1995-96). Why is it important
24 that rate stability be a consideration in the GEC component but not
25 other components of the Newfoundland Power capital budget? Is it
26 Newfoundland Power's understanding that the Board's Order
27 implies that rate stability is important only as it relates to GEC?
28
- 29 CA-NP-005 During the presentation on labour capitalization at the Technical
30 Conference it was stated that rate stability is an important criterion.
31 Upon further clarification, it was stated that the rate stability

- 1 criterion relates only to GEC and stems from Board Order No. P.U.
2 3(1995-96). Does NP have evidence that its customers favour rate
3 stability from the perspective of GEC but not from the overall
4 perspective of the capital budget?
5
- 6 CA-NP-006 It was stated at the Technical Conference that current rate
7 pressures brought on by the Muskrat Falls Project have not
8 influenced NP senior management's budget approach and that NP
9 senior management has not asked or demanded department heads
10 to cut back on budgets in an effort to mitigate rate impacts. Has
11 this always been the approach of NP senior management, or has
12 there ever been a time in the past when Newfoundland Power has
13 cut back on its spending in response to difficult financial times in
14 the Province?
15
- 16 CA-NP-007 Please confirm the statement made at the Technical Conference
17 that the Muskrat Falls project has had no impact on NP's 2020
18 Capital Budget or its capital budget forecast?
19
- 20 CA-NP-008 The presentation on Transmission Line Rebuild Strategy made at
21 the Technical Conference indicates that customer impacts are a
22 consideration in planned rebuilds of transmission lines. Please
23 explain if customer impacts relate entirely to reliability or if cost
24 considerations are also considered, and if so, how?
25
- 26 CA-NP-009 In PUB-NP-003 the Board asks if there is an opportunity to delay
27 or reduce capital expenditures in light of current pressures on
28 customer rates. The response indicates that there is not because NP
29 is "*always required to ensure its capital expenditures are*
30 *consistent with the least-cost delivery of safe and reliable service*
31 *to customers*". The response goes on to say that all expenditures in

1 the Capital Budget Application meet this standard. At the
2 Technical Conference it was stated that there have been times in
3 the past when capital projects have been delayed. Please provide
4 examples of capital projects that have been delayed in the past, and
5 explain what subsequent actions were taken and identify the impact
6 of the delay on customers.

7
8 CA-NP-010 Have the results of the Digital Engagement Initiative conducted by
9 Hydro showing that customers are generally satisfied with current
10 levels of reliability and are not willing to pay higher rates for
11 increased reliability influenced Newfoundland Power's
12 Distribution Reliability Initiative? If not, why not?

13
14 CA-NP-011 Please provide all independent studies commissioned by the Public
15 Utilities Board and/or Newfoundland Power to provide evidence
16 that the re-build of the transmission lines, which were the subject
17 of the Technical Conference, are required to be completed on an
18 urgent basis and must be completed in the next capital budget year
19 2020.

20
21 CA-NP-012 Please provide maintenance schedules describing all maintenance
22 carried out on each of the transmission lines which were the
23 subject of the Technical Conference, together with the cost of this
24 maintenance for the past ten (10) years.

25
26 CA-NP-013 Please provide evidence of outages resulting from deficiencies in
27 these transmission lines which were the subject of the Technical
28 Conference, and the length of the outage and the specific reason
29 for the outage over the last ten (10) years.

30

- 1 CA-NP-014 Please provide a list of all poles replaced on these transmission
2 lines over the last ten (10) years together.
3
- 4 CA-NP-015 Please provide a comparator of the maintenance provided by
5 Newfoundland Power on poles and what is the average life of a
6 pole along these transmission lines and please provide a
7 comparator of the maintenance Newfoundland Power provides as
8 opposed to the pole maintenance provided by NL Hydro?
9
- 10 CA-NP-016 Please provide a valuation of the life of these transmission lines
11 and how it has been determined that these transmission lines need
12 to be rebuilt in 2020 or 2021 and 2022 and how that decision was
13 reached?
14
- 15 CA-NP-017 In the Phase II Final Report of the Liberty Consulting Group at
16 page 61 thereof, Liberty identified five procurement categories
17 such as Vegetation Management Contractors, Wood Pole
18 Installation Contractors, T & D Constructions and Maintenance
19 Contractors, Distribution Transformer Purchases and Electrical
20 Supplies Purchases and noted significant annual spending by both
21 utilities in relation to these categories. Liberty then stated as
22 follows “*we consider these five categories worth specific pursuit*
23 *with both existing vendor and supplier communities and those who*
24 *may find the efforts to pursue business on the island more*
25 *attractive under combined volumes.*” Can Newfoundland Power
26 confirm that it has commenced any communication with Hydro in
27 relation to this joint procurement recommendation by Liberty.

Dated at St. John's in the Province of Newfoundland and Labrador, this 21st day of November, 2019.


Dennis Browne
Consumer Advocate