

The Consumer Advocate

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December 5, 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 – Submission - Overview

Further to the above-captioned, enclosed please find the original and twelve (12) copies of the Consumer Advocate's Submission.

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

Yours truly,



Dennis Browne, Q.C.

Encl.
/bb

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.:

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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 capital expenditures and rate base of Newfoundland Power Inc. (“NP”); 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 (the Application).

CONSUMER ADVOCATE SUBMISSION

NP 2020 Capital Budget Application Overview

1 **Overview**

2

3 1. The Consumer Advocate (the “Consumer Advocate”) appointed as set out in Section 117
4 of the *Public Utilities Act* to represent these purposes: (a) To represent consumers in all
5 matters pertaining to the Application; and (b) To advocate that the Board apply the policy
6 established under the *Electrical Power Control Act 1994* (the “Act”) and in particular to
7 ensure that the Application will result in power being delivered to consumers at the lowest
8 possible cost consistent with reliable service;

9

10 2. Newfoundland Power Inc. (“NP”) filed the above-referenced application with the Public
11 Utilities Board on July 5, 2019.

12

1 3. On July 24, 2019 Newfoundland and Labrador Hydro filed with the Public Utilities Board
2 a Notice of Intention to Participate in reference to the above-referenced Application. On
3 July 31, 2019 the Consumer Advocate filed an Intervenor Submission pertaining to the
4 above-referenced Application.

5
6 4. On September 6, 2019 Responses to Requests for Information were filed by NP.

7
8 5. On September 11, 2019 the Consumer Advocate requested, *inter alia*, a Technical
9 Conference and Hearing. The Application stated in part:

10
11 *The Board's due vigilance is requested therefore to take all necessary*
12 *action for the reasons stated in this application including the following as*
13 *advocated on behalf of the ratepayers of the Province:*

- 14
15 a. *A technical conferences and hearings;*
16 b. *Allowing for cross-examining of applicant witnesses;*
17 c. *Ordering submissions and other representations; and*
18 d. *In other ways in which the Board reasonably see fit given the*
19 *circumstances in which ratepayers find themselves.*

20
21 A copy of that Application is on the record.

22
23 6. Newfoundland Power submitted that neither a Technical Conference nor a public hearing
24 was required to ensure the proposed capital expenditures. (NP's objection to a Technical
25 Conference or a public hearing is not surprising and is perhaps based on the lack of an
26 evidentiary basis for many of the expenditures sought in the 2020 Capital Budget.)

27
28 7. Hydro supported the Consumer Advocate's request for a Technical Conference.

29
30 8. In granting the Technical Conference the PUB stated:

31
32 *In relation to the request for hearings the Board is not satisfied at this*
33 *stage that an oral hearing is necessary to properly asses whether the*
34 *expenditure should be approved or that it would be helpful to the Board*
35 *in its assessment of Newfoundland Power's 2020 Capital Budget*

1 *Application. The Board believes that at this stage the technical*
 2 *conference offers the most efficient and effective opportunity for the*
 3 *Consumer Advocate to obtain addition information related to the stated*
 4 *concerns. Should the Consumer Advocate still wish to request a hearing*
 5 *following this process a further request may be filed setting out the*
 6 *reasons why an oral hearing should be held and the issues which need to*
 7 *be addressed in the hearing.*

8
 9
 10 9. Since 2005 the PUB oversight of Capital Budget Applications has been diminished. In
 11 their 2005/2007 PUB guidelines the applicant is required to respond to Requests for
 12 Information and is subject to a rate base application review by the Board's auditors. The
 13 Board has offered that a Technical Conference was held in 2011 during the review of
 14 Hydro's 2012 Capital Budget Application and other technical conferences related to
 15 Hydro's proposed capital expenditures at Holyrood and to NP's proposed expenditures
 16 for Rattling Brook were also held. Apart from a technical conference, the Board relies
 17 upon its staff to review the Application. Over the past ten years, according to the Board,
 18 capital projects with associated expenditures in approximately \$40 million have been
 19 denied or deferred, although a number of these projects were ultimately approved
 20 following the filing of additional information and further review and analysis by the
 21 Board. The process relies for the most part on Requests for Information filed by the
 22 Board and Hydro and Intervenors. These Requests for Information are sent to the
 23 applicant utility for reply. Requests for Information are not sworn evidence and the
 24 author of the Request for Information is not identified. Unlike a General Rate Hearing,
 25 Request for Information are subject to scrutiny of counsel during a hearing. This is not
 26 the case with the Capital Budget procedure. The Capital Budget procedure, in the opinion
 27 of this Consumer Advocate, is woefully inadequate and a stringent process must be put
 28 in place prior to awarding utilities ratepayer money.

29
 30 10. The Capital Budget Guidelines describe a Technical Conference as follows:

31 *c. Technical Conference*

32 *Where appropriate, a utility may conduct a technical conference.*
 33
 34

A technical conference will be used in concert with the RFI process to gain a full understanding of the scope and nature of the proposed projects and will most often involve the participation of Board staff. To the extent that relevant information is brought forward at the technical conference, it will not be available for the consideration of the panel unless it is entered on the record through the RFI process or in the evidence of a witness. The technical conference will generally not be recorded and the information provided will not be part of the record.

Where the parties agree and the Board determines that it would be of assistance, the Commissioners of the Board hearing the application may participate in the presentation portion of the technical conference. Where the Commissioners participate the technical conference shall be transcribed or, in the alternative with the agreement of the parties, the utility shall file as part of the record a written copy of the substance of the presentation which shall be reflective of the presentation and may be referred to in the decision making of the Board. After the presentation the Commissioners may ask questions but generally will not be present during the discussion/questions of the other participants.

11. This 2020 Capital Budget Application comes at a critical time for ratepayers. The Government of the Province issued a Reference on September 5, 2018 directing the Board of Commissioners of Public Utilities of Newfoundland and Labrador to review and report on a number of matters including options to reduce the impact of the Muskrat Fall Project (MFP) on electricity rates through to the year 2030.
12. NP's 2020 Capital Budget ignored the Reference's objectives and assumes business as usual. However, this is certainly not the case. Also, NP's customer base remains flat, so why is the rate base increasing through capital expenditures in these circumstances? NP's Capital Budget Application is based, for the most part, on internal NP opinion and there are sparse independent expert verifications to support the expenditures requested.
13. NHL-NP-028, Attachment A is of particular significance as it provides information pertaining to NP's Average Rate Base from the year 2000 to what is forecast for 2023. Of particular significance is the fact that in the year 2000 NP Power's Average Rate Base

1 was \$520,979,000 and by 2005 this had increased to \$745,446,000 and in 2007 to
 2 \$793,703,000 to a projected increase to \$1,151,933,000 by 2019. NP's Rate Base in 2012
 3 was \$883,000,000 rising in 2014 to \$966,000,000 and in 2016 it increased to
 4 \$1,061,000,000. If granted, this capital budget, will ensure NP's 2018 rate base will be
 5 fixed and determined at \$1,117,341,000. NPs Rate Base therefore will have increased in
 6 just 6 years by 27%. However NP's customer base remains flat so why is the rate base
 7 increasing through increased capital expenditures now?

- 8
 9 14. The increase in capital budget expenditure leads to increased rate base, which ultimately
 10 contributes to NP profits. Newfoundland Power's annual after-tax profits have now
 11 reached in excess of **\$40,000,000.00** a year.

12
 13 **2018 - \$41,190,000.00;**
 14 **2017 - \$40,971,000.00;**
 15 **2016 - \$39,953,000.00;**
 16 **2015 - \$38,758,000.00;**
 17 **2014 - \$37,283,000.00;**
 18

19 Therefore, on average Newfoundland Power is making a monthly net after tax profit over
 20 \$3,000,000.00 from its customers and or in excess of \$100,000.00 a day.

- 21
 22 15. It is the position of the Consumer Advocate that the utilities proposing capital
 23 expenditures should be required to convene, first and foremost, a technical conference to
 24 explain each and every expenditure. Such a technical conference should be held as early
 25 as possible in order to allow intervenors the time to retain experts to review these
 26 expenditures and to offer expert opinion on what is required. If cost efficiencies between
 27 the two utilities are to be recognized in the Muskrat Fall era, the procedures to review
 28 capital budget applications must change.

- 29
 30 16. As stated on page 7 of the Liberty Consulting Group report (see September 3, 2019 report
 31 entitled *Final Report on Phase Two of Muskrat Falls Project Potential Rate Mitigation*
 32 *Opportunities*) "we found striking the nearly \$0.5 billion dollars in five-year capital

1 *spending Hydro and Newfoundland Power combined have identified.” Liberty goes on to*
2 *say (page 45) “it should be noted that only moderate reductions in those amounts will*
3 *produce revenue requirements reductions equal to or greater than savings coming from*
4 *combinations between the two companies.” The Consumer Advocate readily agrees and*
5 *has expressed such concerns at past Capital Budget and General Rate Applications.*

- 6
7 17. Has NP’s Capital Budget Application been influenced by Fortis? Capital spending
8 growth is very important to Newfoundland Power’s parent company, Fortis Inc. which
9 boasts “*Five-year capital investment plan of \$18.3 billion for 2020 through 2024, up \$1.0*
10 *billion from the prior year’s plan”* ([https://stockhouse.com/news/press-](https://stockhouse.com/news/press-releases/2019/09/10/fortis-inc-provides-new-five-year-outlook-and-announces-6-1-quarterly-dividend)
11 [releases/2019/09/10/fortis-inc-provides-new-five-year-outlook-and-announces-6-1-](https://stockhouse.com/news/press-releases/2019/09/10/fortis-inc-provides-new-five-year-outlook-and-announces-6-1-quarterly-dividend)
12 [quarterly-dividend](https://stockhouse.com/news/press-releases/2019/09/10/fortis-inc-provides-new-five-year-outlook-and-announces-6-1-quarterly-dividend)). NP’s Capital Budget projects to expand rate base in this
13 jurisdiction is consistent with the objectives of Fortis Inc. as is evident in Schedule “A”
14 attached hereto which states in part.

15
16 ST. JOHN'S, Newfoundland and Labrador, Sept. 10, 2019 (GLOBE
17 NEWSWIRE) -- Fortis Inc. ("Fortis" or the "Corporation") (TSX/NYSE: FTS)
18 today announced its five-year capital investment plan of \$18.3 billion for the
19 period 2020 to 2024, up \$1.0 billion from the prior year's plan. Consolidated
20 rate base is projected to increase from \$28 billion in 2019 to \$34.5 billion in
21 2022 and \$38.4 billion in 2024, translating into three and five-year compound
22 annual growth rates of 7.2% and 6.5%, respectively. The Corporation's Board
23 of Directors (the "Board") also announced a \$0.0275 or 6.1% increase in the
24 fourth quarter 2019 common share dividend.

25
26 "Three years into our organic growth strategy, we are pleased to announce a \$1
27 billion increase in our five-year capital plan," said Barry Perry, President and
28 Chief Executive Officer. "The continuation of key industry trends including
29 grid modernization, the delivery of cleaner energy and electrification are
30 resulting in incremental investments in our U.S. and Caribbean businesses.
31 Also, expansion of our Tilbury liquefied natural gas site is expected to serve the
32 local marine bunkering market, driving additional investment at our regulated
33 natural gas operations in British Columbia."

34
35 Virtually all of the Corporation's planned capital investments are occurring at
36 its regulated utility businesses and consist mostly of a diversified mix of highly

1 executable, low-risk projects. It is expected that the capital investment plan will
2 be primarily funded with cash from operations, debt raised at the utilities and
3 common equity from the Corporation's dividend reinvestment plan and at-the-
4 market common equity program.

5

6 18. **NP's Capital Budget 2020** - There are 11 categories of capital projects included in the
7 2020 Capital Budget Application with a total allocated cost of \$96.614 million in 2020.
8 Island Interconnected Customer rates are under severe pressure and projects that do not
9 relate to near-term safety or pose a threat to the environment or of major equipment
10 damage should be deferred generally.¹ Furthermore, Hydro is currently preparing a
11 Reliability and Supply Adequacy Study which has not as yet been fully received by the
12 Board so the value of capacity is not known. There is no reasonable load forecast
13 available and this information may be critical for the results of the rate mitigation
14 initiative.

15

16 19. A significant portion of the capital project work can be deferred by a couple of years, or
17 at least spread out over a longer time frame to reduce the near-term impact on rate base
18 and customer rates.

19

20 20. **"Generation – Hydro"** - While work may be required on some plants there is no
21 substantive evidence presented that this work is urgent, necessitating the level of
22 expenditures specified in the Application over the next two years. Normal maintenance
23 practices should be continued on hydro plants with capital projects deferred or spread out
24 over a longer period of time. Ultimately, there may be no economics pertaining to this
25 work favourable to ratepayers. Hydro predicts very low revenue from sales of Muskrat
26 Falls energy following commissioning. Ratepayers may be in the best position to receive
27 more power from Muskrat Falls power rather than make purchases through NP's
28 generating facilities. Currently, Hydro is preparing a *Reliability and Supply Adequacy*

¹ In its Application, NP identifies an expenditure category as "mandatory"; if such projects are proven mandatory, it is doubtful that these can be deferred.

1 *Study* and the value of capacity is not known. In short this is a time of transition. Post-
2 Muskrat we do not know if the small Hydro plants which are subject to this application
3 will be stranded assets. Based on the foregoing, we recommend as follows:
4

- 5 i) Facility Rehabilitation – This project appears reasonable as allocated \$1.519
6 million in 2020;
- 7 ii) Rattling Brook Plant Refurbishment - This project appears reasonable given the
8 ongoing circumstances;
- 9 iii) Petty Harbour Hydro Plant Refurbishment – This work (\$3.662 million in 2020)
10 to be deferred by two years, until it is determined if this facility will be required
11 post-Muskrat Falls. Additional plant maintenance or work under the “*Facility*
12 *Rehabilitation*” project can be directed to this project if problems arise.
- 13 iv) Topsail Hydro Plant Refurbishment – We recommend this work (\$485,000 in
14 2020 and \$8.914 million in 2021) be delayed by two years to determine if this
15 facility will be required post-Muskrat Falls. In the alternative, we recommend that
16 this work be spread over a longer period of time to distribute the affect on rate
17 base. Additional plant maintenance or work under the “*Facility Rehabilitation*”
18 project can be directed to this plant if problems arise. If the Board is unwilling to
19 do such a deferral, at the very least this amount should be spread over a 3-4 year
20 period beyond 2020 to reduce rate base impact.

21
22 21. “***Generation - Thermal***” – This category of capital expenditures includes Thermal Plant
23 Facility Rehabilitation. This expenditure appears reasonable in the amount of \$349,000
24 in 2020.

25
26 22. “***Substations***” – This category of capital expenditures is significant, allocated \$15.204
27 million in 2020. Some of this work may be required if safety is proven an issue. However,
28 modernizing is not a requirement when customers are under severe rate pressures. NP
29 should be told in no uncertain terms this is no time for modernization.

- 1 i) Substation Refurbishment and Modernization - Modernization may be desirable
2 for Newfoundland Power but it is not for ratepayers at this time. The cost for this
3 project is over \$10 million annually for the next five years. There is no evidence
4 this work is urgent and comes at a time when customer rates are under severe
5 pressure. We recommend this work be deferred indefinitely. Additional plant
6 maintenance or work under the “*Replacements Due to In-service Failures*” project
7 can be directed to various substations identified for work in this budget under this
8 project if problems arise.
- 9 ii) Replacements Due to In-Service Failures – This expenditure appears reasonable.
- 10 iii) PCB Bushing Phase-out – Given the federal requirements this project is
11 reasonable.
- 12 iv) Substation Feeder Termination – This project may be reasonable; more
13 information pertaining to the project should be forthcoming.

14
15 23. “**Transmission**” – The lone project in this category is Transmission Line Rebuilds at an
16 expenditure of \$9.623 million in 2020. There is no proven evidentiary urgency for these
17 projects. NP is forecasting that these costs will increase substantially in the 2021 to 2024
18 time-frame to almost \$14 million annually, considerably more than recent historical
19 expenditures which averaged \$7.6 million annually over the 4-year period ending 2019.
20 At the very least this work should be spread out into the future from five to ten years to
21 reduce the impact on rate base. This project requires further evaluation and the
22 opportunity for expert intervenor scrutiny.

23
24 24. “**Distribution**” – This category of capital expenditures is significant - \$44.623 million in
25 2020. There is no evidence of urgency and some of this work can readily be deferred.
26 For example, converting street lighting fixtures to LED bulbs can be deferred beyond
27 2021 to 2026, while distribution line rebuilds could probably be slowed. As already
28 discussed, customers have not indicated a willingness to pay for reliability improvements,
29 so the Distribution Reliability Initiative should be put on hold. Distribution feeder
30 automation, while providing desirable customer impacts, could be deferred until there is

1 greater clarity on rate mitigation. Further, it is completely unclear from where the
2 customer growth is coming. Demographics do not favour customer growth. NP's own
3 information is that customer growth is flat. What is the driving component for these
4 distribution-related projects and extensions? This requires verification. The provincial
5 economy is going through a period of transition.

- 6
- 7 i) Extensions – This project allocates \$11.318 million in 2020 for connecting new
8 customers and upgrades to accommodate increased load. NP has not provided
9 sufficient information to state from where this growth is coming and who these
10 new customers could be and why these upgrades are required. The evidence is
11 low growth has slowed to a trickle. There will be further information on load
12 growth once we know the outcome of rate mitigation and cost of electricity.
 - 13 ii) Meters – This expenditure estimated to cost \$741,000 in 2020 appears reasonable.
 - 14 iii) Services – Again, we are surprised that these costs are this high when load growth
15 has slowed. There will be greater clarity on load growth once more is known about
16 rate mitigation and demographics. This expenditure of \$3.272 million in 2020
17 requires further scrutiny.
 - 18 iv) Street Lighting – This project is assigned \$2.635 million in 2020 increasing to
19 more than \$7.5 million annually in the 2021 to 2024 time-frame. The large
20 increase beginning in 2021 is brought on by the plan to replace all existing high-
21 pressure sodium street lighting fixtures with LED technology over a 6-year period
22 commencing in 2021. We recommend that the plan to replace existing fixtures
23 with LED fixtures be delayed and deferred until there is greater clarity on rate
24 mitigation. There is no urgency in this project.
 - 25 v) Transformers – We take no exception to this project.
 - 26 vi) Reconstruction – There is no exception taken to this project.
 - 27 vii) Rebuild Distribution Lines – The evidence is the inspection data will not be
28 available until late 2019. The 2020 budget estimate is based on average historical
29 expenditures over the previous 5 years resulting in an allocation of \$3.985 million
30 in 2020. It is our position that this project be extended over the next two to five

1 years during this period of rate pressure until there is greater clarity on rate
2 mitigation and Muskrat Falls and its impacts and further data for intervenor
3 scrutiny.

4 viii) Relocate/Replace Distribution Lines for Third Parties – We take no exception to
5 this project.

6 ix) Trunk Feeders – This project allocated \$2.82 million in 2020 requires more
7 information.

8 x) Feeder Additions for Load Growth – The previous comments on load growth
9 apply here. This project allocated \$2.302 million in 2020 should be spread out
10 over an additional 1 to 6 years until demographic and load are settled issues. Load
11 growth in the current economy could not be the main driver of these costs.

12 xi) Distribution Reliability Initiative – This project allocated \$1.95 million in 2020
13 and about \$1.3 million annually during the 2021 to 2024 time-frame should be
14 delayed by two years until there is greater clarity on rate mitigation. It is not
15 justified during this time of severe rate pressures on customers particularly
16 customers who have not expressed a willingness to pay for increased reliability.
17 In our opinion, the reliability statistics for the project’s three chosen feeders are
18 reasonable and these expenditures cannot be justified at this time.

19 xii) Distribution Feeder Automation – While in normal times such a project could be
20 recommended, this project should be deferred or spread over period of two to four
21 years given the circumstances.

22 xiii) Allowance for Funds Used During Construction – We take no exception to this.
23

24 25. **“General Property”** – There is no evidence provided to suggest that the company
25 building renovations are an urgent requirement. If safety is an issue the work should be
26 done, but any work beyond that required for safety or environmental reasons should be
27 deferred.

28 i) Tools and Equipment – We take no exception to the allocated cost of \$476,000 in
29 2020.

- 1 ii) Additions to Real Property - This project appears reasonable in the amount of
2 \$519,000 in 2020 and no more.
- 3 iii) Company Building Renovations – It is recommended that consideration be given
4 to deferring these renovations. Unless required to address safety or environmental
5 concerns, this is work that could readily be deferred.
- 6 iv) Physical Security Upgrades – The amount of \$300,000 in 2020 appears
7 reasonable.

8
9 26. **“Transportation”** – There is no evidence to suggest vehicles require replacement. The
10 “trite phrase” used by NP that these “vehicles have come to the end of their useful life”
11 is opine. These vehicles have been maintained by ratepayers and unless there is an
12 opinion from an expert independent to state replacement is necessary, this expenditure
13 should be put on hold. It is suspected that if NP were on a performance-based regulatory
14 system the useful lives of this equipment would be readily extended. Where is the
15 supporting evidence?
16

17 27. **“Telecommunications”** – This category includes only one project, Replace/Upgrade
18 Communications Equipment allocated \$108,000 in 2020. We take no exception to this
19 project.
20

21 28. **“Information Systems”** – This category includes numerous projects allocated a total of
22 \$6.772 million in 2020. We take no exception to these projects as they generally improve
23 customer service and security. Information systems and any further initiative under
24 information systems in the future should be put on hold until a study can be completed
25 to devise information systems which can be utilized by both NP and Hydro to the benefit
26 of ratepayers. Independent information systems for both utilities is unacceptable and
27 should be dealt with in the future.
28

29 29. **“Unforeseen Allowance”** – We take no exception with this category allocated \$750,000
30 in 2020.
31

1 30. “*General Expenses Capitalized*” - This category has allocated \$750,000 in 2020. Hydro
 2 and NP use different approaches to GEC. The Board should order a review of the Hydro
 3 and NP approaches to determine if different approaches by the two utilities are justified
 4 and if one approach should be implemented over the other based on benefits to ratepayers.

5
 6 **SUMMARY AND CONCLUSION**

7
 8 31. NP’s 2020 Capital Budget Application, for the most part, is incomplete. Capital Budget
 9 Application Guidelines have not been followed. The supporting information for
 10 classifying capital expenditures mandatory includes:

- 11
 12 1. On what basis the expenditure is mandatory;
 13 2. All reasonable alternatives, where available, and the reason this particular
 14 alternative was chosen; and
 15 3. Whether the proposed expenditure is the least cost reasonable alternative and if
 16 not why it was chosen.
 17

18 32. Under “Normal Capital” the supporting information require is as follows:

- 19
 20 1 There is evidence of the need, ie. historical spending patterns, maintenance
 21 history, reliability data, growth;
 22 2 All reasonable alternatives, including deferral, have been considered;
 23 3 The expenditure as proposed is the least cost option;
 24 4 Unit and/or aggregate cost data including, where available, similar cos for the
 25 preceding five (5) years; and
 26 5 Net Present Value (NPV).
 27

28 Where is this evidence?
 29

30 33. Under “Justifiable Expenditures, the utility must show:

- 31
 32 1. All reasonable alternatives, including deferral, have been considered; and
 33 2. The expenditure will provide tangible benefits to ratepayers, such as
 34 information showing a positive NPV, or the proposed resolution to an
 35 identified deficiency;
 36

37 Where is this evidence?

- 1 34. Also, there is no history of maintenance which would indicate what ratepayers have paid
2 for maintenance on the various projects to date. There is no history of reliability and
3 outages which would be useful information. Where is this evidence?
4
- 5 35. There is no information as to whether transmission inspection and maintenance practices
6 should not be employed further to extend the life of particular items for which the utility
7 is now seeking replacement. Where is this evidence?
8
- 9 36. It is noted that the transmission inspection and maintenance policies are robust and
10 ratepayers have paid to ensure that transmission lines and facilities are properly
11 maintained. How did the utility move from properly maintained facilities paid for by
12 ratepayers to a request for their replacement? Where is this evidence?
13
- 14 37. CA-NP-011 states that there are no independent studies commissioned by the Board or
15 Newfoundland Power concerning the rebuilding of transmission lines identified in the
16 2020 Capital Budget Application. Furthermore, when asked to provide a list of all poles
17 replaced on the transmission lines which were the subject of the application over the last
18 ten years, the indication was Transmission Line 363L had two poles replaced, 403L four
19 poles, 49L six poles. It is telling that annual inspections over that period only found the
20 need to replace such a limited number of poles. For the PUB to award ratepayers' money
21 for these expenditures without further evidence and detailed studies is unacceptable to
22 ratepayers. Where is the evidence on outages and times and causes, and what and when
23 repairs have been carried out already, and at what cost to ratepayers? Ratepayers require
24 scrutiny of each and every capital expenditure before ratepayers are paying for any capital
25 budget expenditure.
26
- 27 38. It must also be recognized that NP's SAIDI and SAIFI reliability indicators show that
28 NP's average frequency and duration of outages is approximately half the Canadian
29 average since 2008. These reliability indicators are referenced again in NP's responses
30 to RFIs. Why is there not a decrease in capital expenditure given the fact the reliability

1 indicators for the system are already superior to other jurisdictions? Ratepayers have
2 paid already to earn SAIDI and SAIFI reliable indicators superior to other jurisdictions.
3 There should be less capital expenditures in these circumstances not over-capitalization.
4

5 39. With a declining and aging population and with the introduction of the costs associated
6 with Muskrat Falls, affordable electricity is the issue. With flat sales together with the
7 foregoing how can annual capital budget expenditures by NP remain sustainable?
8

9 40. In it's Reference to the PUB the Government stated:

10
11 Government's position is that the projected rate increases associated with
12 Muskrat Falls Project are not acceptable. Without intervention these
13 projected rate increases would likely cause financial hardship for
14 customers and all classes on the island portion of Newfoundland and
15 Labrador (the "Ratepayer"). With the assistance of the Board the
16 Government of Newfoundland and Labrador wished to examine options
17 to reduce the impact of the Muskrat Falls Project on rates.
18
19

20 41. The Board commissioned Liberty and Synapse to provide reports including any evidence
21 of duplication between the two utilities from which ratepayers could achieve costs
22 savings. As referenced previously, Liberty has indeed concluded that even moderate
23 reductions in capital budget expenditures will produce reductions equal to or greater than
24 savings coming from combinations between the two companies. The Reference issues
25 are still in process. These expansive capital budget expenditures are unreasonable and
26 untimely. In short, Newfoundland Power is not doing its part by putting forward
27 expansive Capital Budget expenditure applications instead of finding the ways and means
28 of producing savings as referenced by Liberty.
29

30 42. In conclusion, the PUB Policy Statement on Capital Budget Guidelines states:
31

32 III. POLICY STATEMENT

33 In fulfilling its mandate with respect to the supervision of the capital expenditures
34 of a utility, the Board balances the interests of consumers and the utility in the

1 context of the applicable legislative provisions. In balancing these interests the
2 Board is committed to the efficient and effective review and approval of
3 expenditures in keeping with the provision of least cost reliable service.
4

5 43. Ratepayers recognize that this 2020 Capital Budget of Newfoundland Power cannot be
6 dealt with routinely. This is not a business as usual time for anyone. The ratepayers of
7 the province are requesting the PUB in this Capital Budget Application to be guided by
8 its own policy to ensure that there is indeed a balance of the interests of ratepayers and
9 the utility. This balance will be realized if the Board acts on the foregoing submissions.

DATED at St. John's, Newfoundland and Labrador, this 5th day of December, 2019.



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