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 2021 Capital Budget of $111,298,000;
(b) approving certain capital expenditures related to multi-year projects commencing in 2021; and
(c) fixing and determining a 2019 rate base of $1,153,556,000.

PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION

PUB-NP-001 to PUB-NP-012

Issued: August 19, 2020

PUB-NP-001 Please highlight any actions that Newfoundland Power has taken in response to the current economic conditions within Newfoundland and Labrador to control and/or reduce capital expenditures while maintaining reliable service.

PUB-NP-002 Newfoundland Power states (Volume 1, Tab 2021 Capital Plan, page 40, lines 24-26) "The potential impacts of the ongoing COVID-19 public health crisis on Newfoundland Power's future operations and capital program are currently unclear. The capital plan has not been adjusted to reflect any potential impacts of COVID-19."

i. Has NP contacted potential manufacturers/suppliers to discuss the availability of the materials and contract labor required to complete the requested 2021 projects? If yes, please discuss. If no, why not?

ii. What impact, if any, does COVID-19 have on Newfoundland Power's load forecast over the next three years? Please describe the potential impacts of a reduced load forecast, should it occur, on this year's and future years' capital budgets.

PUB-NP-003 Newfoundland Power (Volume 1, Tab 2021 Capital Plan, Table A-3 on page A-3) indicates that an historical pattern is used as the costing method for 17 of the 40 capital projects and approximately 45% of the total proposed 2021 capital budget ($49.9 million of the $111.3 million). Some examples of annual projects that are based on historical expenditures with an adjustment for inflation include Extensions (Pooled) - $10,891,000 (Schedule B, page 29 of 98), Services (Pooled) - $3,110,000 (Schedule B, page 34 of 98), and Transformers (Pooled) - $5,945,000 (Schedule B, page 41 of 98). These particular examples include an estimate for customer growth and/or the accommodation of customers' increased electrical loads.

When using historical patterns to develop an estimate for the proposed capital budget, please discuss how Newfoundland Power combines the Province's past, current and forecast economic and demographic conditions when developing these estimates.

PUB-NP-004 Given the current pressures on customer rates has Newfoundland Power considered whether there is an opportunity to delay or reduce capital expenditures? For example, has Newfoundland Power considered whether continued expenditures on improved reliability initiatives (e.g., Distribution Automation) are required given Newfoundland Power's SAIDI/SAIFI metrics in comparison to the Canadian Electrical Association average for Canadian utilities?

PUB-NP-005 Has Newfoundland Power discussed/reviewed their plans for its new Customer Service System with Newfoundland and Labrador Hydro with a view to incorporating both of the utilities' requirements into one comprehensive system that could serve both utilities' service territories given the following listed below. If yes, please provide details and reasons for deciding not to pursue a joint solution. If no, please explain the rationale for not doing so. Please address each of the bullets below in your response as appropriate.

- The size of the required investment is in excess of $31 million.
- The commonality of many service processes across electric utilities. The analysis of Ernst & Young LLP (Volume 1, Tab Customer Service Continuity Plan, page 12 of the June 2020 report, lines 17-20) stated "From a functional perspective, EY assessed that Newfoundland Power's customer service business processes are similar to those of other utilities. Approximately 80% of customer service business processes are common across utilities. These processes are readily delivered in a modern CIS through the base package or standard configuration."
- The consistent customer satisfaction level for Newfoundland Power's service delivery may indicate that there is time for additional consultation with Newfoundland and Labrador Hydro given that there has been no recent customer-perceived degradation of service. Volume 1, Tab Customer Service Continuity Plan, page 7 of the Customer Experience Report, lines 3-4 stated "Customers' overall satisfaction with the Company's service delivery has averaged approximately 86% annually over the last 5 years. This is consistent with longer-term trends." Footnote 13 of the same page states that "Overall satisfaction with Newfoundland Power's service delivery averaged approximately 86% over the last decade (2010 to 2019)."
- The potential opportunities for further capital-saving collaboration with respect to the Geographic Information System and Outage Management System (scheduled in 2024 and 2025) as well as the replacement of the current VHF radio mobile system (scheduled in 2023).

PUB-NP-006 In the Customer Service Continuity Plan, Attachment C, Accounting Assessment, there are references to the guidance provided on the recognition of software costs in the FASB Accounting Standards Codification ("ASC"), particularly with ASC 350-40 Internal Use Software which provides guidance on which costs should be capitalized and which costs would be considered more general in nature and should be expensed.

Newfoundland Power has estimated that approximately $2.9 million of the total project cost of $31.6 million would be categorized as costs to be expensed.

i. ASC 350-40, paragraph 350-40-25-1 states that internal and external costs incurred during the preliminary project stage shall be expensed as they are incurred. Please confirm if all of the costs for Newfoundland Power's Pre-Implementation stage are included in the $2.9 million of costs to be expensed? If not, please explain why.

ii. Page 2 of Attachment C, lines 16-19, indicate the costs included in the $2.9 million are related to data conversion, employee training and certain activities related to the Request for Proposals process. Please provide an estimated breakdown of the $2.9 million by the type of costs captured in this amount by project phase and by year.

PUB-NP-007 In the Customer Service Continuity Plan, Attachment C, Accounting Assessment, Newfoundland Power is proposing to use the guidance in ASC 980 Regulated Operations, paragraph 980-05-5, which says that regulators

may approve allowable costs for rate-making purposes in a different period than the costs would be charged to expense by an unregulated entity. Newfoundland Power is proposing that with Board approval, the general project costs of $2.9 million would be capitalized with the total project costs and recovered from customers over the life of the system instead of being expensed as incurred. Newfoundland Power notes that this proposal would be similar to the Company's treatment of General Expense Capitalized ("GEC").

Please provide the estimated impact on revenue requirement if the general project costs of $2.9 million are:

i. expensed as incurred over the term of the project and;
ii. capitalized once the project is completed and included in rate base as proposed.

PUB-NP-008 Did Newfoundland Power consider the use of a deferral account for the recovery of the $2.9 million in costs over a shorter period of time as opposed to having these costs included in rate base and recovered over the life of the project? Please explain if this could be an alternative for the recovery of these costs. If not, please explain why.

PUB-NP-009 Has Newfoundland Power undertaken an analysis to determine whether any of its hydro production facilities should be retired in the near to medium-term (e.g., twenty years)? If yes, please include the latest analysis.

PUB-NP-010 Please describe the impact, if any, that the completion of the Muskrat Falls Project is anticipated to have on the future role of Newfoundland Power's hydro production facilities.

PUB-NP-011 It has been reported that the St. John's Airport Authority has paused the expansion project planned for the airport.

i. Does the pausing of the Airport Expansion change the electrical load that is used in the St. John's North-Portugal Cove System Planning Study and if so, is it enough of a change to delay the capital program?
ii. Does the pausing of the Airport Expansion have any other impact on the St. John's North-Portugal Cove System Planning Study or the capital program?

PUB-NP-012 Newfoundland Power (Volume 2, Tab 6.2 2021 System Upgrades, page 1) states that approximately 77% of the capital expenditures for the 2021 System Upgrades result from the need to ensure continued vendor support. An example of this type of expenditure is referenced on page 4 where the current Outage Management System version was implemented in 2019 and will no longer be supported by the vendor as of July 2021. Please describe the practice Newfoundland Power follows when evaluating the version of software to be implemented to better ensure continued vendor support.

DATED at St. John's, Newfoundland this 19th day of August, 2020.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per

Cheryl Blundon
Board Secretary