Office of 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

August 2, 2021

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 2022-2023 General Rate Application

Further to the above-captioned, enclosed please find enclosed the original and nine (9) copies of the Consumer Advocate's Requests for Information CA-NP-001 to CA-NP-175.

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

Dennis Browne, Q.C.

/jm
Enclosure

cc. **Newfoundland Power Inc.**
Regulatory (regulatory@newfoundlandpower.com)
Dominic Foley (dfoley@newfoundlandpower.com)
Liam O'Brien (lobrien@curtisdawe.com)
Newfoundland and Labrador Hydro
Regulatory (NLHRegulatory@nlh.nl.ca)
Shirley Walsh (shirleywalsh@nlh.nl.ca)
Board of Commissioners of Public Utilities
Cheryl Blundon (cblundon@pub.nl.ca)
Jacqui Glynn (jglynn@pub.nl.ca)
Maureen Greene (mgreene@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 regulations thereunder; and

IN THE MATTER OF a general rate application by Newfoundland Power Inc. to establish customer electricity rates for 2022 and 2023.

CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NP-001 – CA-NP-175

Issued: August 2, 2021

Historical Data

CA-NP-001 (Application Volume 1, page 4-1) Provide a table showing regulated rate base, revenue requirement, capital budget proposed, capital budget approved, actual capital budget expenditures, and year-over-year rate change for each of the last 20 years and forecast for the years 2021 through 2026. Exclude purchased power costs.

Revenue Requirement and Load Forecast

CA-NP-002 Newfoundland Power (NP) is requesting a 0.8% increase in rates effective March 2022. From the discussion at page 1-8 it appears that the main driver of this increase is the requested 9.80% ROE, can the company confirm that if the ROE is not changed there would be a decrease in rates?

CA-NP-003 In terms of the proposed rate 1.1 electricity charge of 12.298 cents per KWH with a $16.1 monthly minimum can the company provide the equivalent rates in 2015 when the HST was 13% (Schedule A)? Please provide a typical residential bill with the 2015 and the proposed rates inclusive of HST for 2022.

CA-NP-004 (Application Volume 1, Table 4-1) Table 4-1 shows the proposed revenue requirement for 2022 and 2023. Describe the demand and supply scenario upon which these calculations are based and explain how this scenario accurately portrays NP's understanding of the demand and supply scenario in the Province's electricity sector in those years.

CA-NP-005 (Application Volume 1, page 1-2) It is stated "*Newfoundland Power's long-term growth outlook is uncertain. This uncertainty reflects a weak economic outlook for the province and potential increases in the cost of electricity following the commissioning of Nalcor Energy's Muskrat Falls Project.*"

a) When is the Muskrat Falls Project expected to be commissioned and when are its costs expected to be reflected in NP's purchase power rate?

b) Explain how the Muskrat Falls Project has impacted NP's planning and its forecasts of load and costs in the test years 2022 and 2023.

c) Does NP not have an excellent record of forecast accuracy for its energy sales, as demonstrated in Appendix D of its Customer, Energy and Demand Forecast in Volume 2?

d) Is growth necessary for NP to achieve its approved return on rate base or its approved ROE?

CA-NP-006 (Hydro's June 30, 2021 submission to the Board titled *Quarterly Update – Items Impacting the Delay of Hydro's Next General Rate Application*) It is stated (page 2) "*It is currently projected that Hydro will be required to begin payments under the Muskrat Falls PPA on October 1, 2021, in advance of the commissioning of the Labrador-Island Link (currently scheduled for November 14, 2021). Hydro is required to make payments under the Transmission Funding Agreement one day after full Project commissioning, currently projected to be November 15, 2021.*" Hydro goes on to say "*To address the cost impact that may materialize as a result of these contractual requirements, Hydro intends to file an application in the third quarter of 2021 to revise its supply cost deferral accounts to allow for the transfer of cost variances associated with the commissioning of the Muskrat Falls Project assets that may occur on a go-forward basis. The deferral account revisions are intended to address the potential for Hydro to incur financial losses during this transition period.*" Please explain how the revenue requirement and cost of service study in the 2022-2023 GRA is "*informed by the most detailed, complete and current information available*" (from January 15, 2018 letter from NP to the Board entitled *Newfoundland and Labrador Hydro ("Hydro") – 2017 General Rate Application (the "2017 GRA"): Consumer Advocate Application to Delay Proceeding (the "Application")*, page 5 of 5).

CA-NP-007 (Hydro's June 30, 2021 submission to the Board titled *Quarterly Update – Items Impacting the Delay of Hydro's Next General Rate Application*) It is stated (page 2) "*As the financial restructuring of the Muskrat Falls PPA and Government's rate mitigation plan are ongoing and the necessary information to inform the filing of a complete GRA is not yet available, Hydro believes there is material uncertainty with respect to its ability to file its next GRA in October 2021. Hydro is cognizant of the regulatory inefficiencies which may result should a complete package of information not be available to the Board and parties. Hydro will provide an update to the Board and parties as soon as new information is available.*" NP states "*It appears that Newfoundland Power's customers will ultimately bear a* *significant portion of the costs associated with the Muskrat Falls project in the rates they must pay*" (see January 15, 2018 letter from NP to the Board entitled *Newfoundland and Labrador Hydro ("Hydro") – 2017 General Rate Application (the "2017 GRA"): Consumer Advocate Application to Delay Proceeding (the "Application")*, page 5 of 5). Given the uncertainty with respect to the Muskrat Falls Project and the significant impact it could have on the rates of NP's customers in 2022 and 2023, and given the high risk of regulatory inefficiency, why did NP file its GRA now rather than request a deferral like Hydro?

CA-NP-008 (Application Volume 1, page 1-6) It is stated "*The Board determined that, even if all recommended sources of rate mitigation are implemented, customer rates are still forecast to increase by approximately 50%.*"

a) What is the expected impact of a 50% rate increase on NP's load in 2022 and 2023 if the rate increase occurs by year-end 2021?

b) What is the expected impact on NP's costs and revenue requirement in 2022 and 2023 if rates increase 50% by year-end 2021?

c) What NP assets are likely to become stranded if rates increase by 50%?

CA-NP-009 (Application Volume 1, page 3-5) It is stated "*Power supply costs are expected to increase by approximately $14.7 million from 2019 to 2023. This is largely attributable to an increase in Hydro's Utility Rate, partially offset by declining energy sales.*" What wholesale power rates are reflected in this calculation and what is assumed with respect to Muskrat Falls and rate mitigation?

CA-NP-010 (Application Volume 1, page 5-9) It is stated "*The Company's future embedded and marginal costs cannot reasonably be determined until the Muskrat Falls Project is commissioned.*"

a) Explain how Muskrat Falls impacts NP's embedded costs and marginal cost of energy.

b) Given that: 1) it is not possible to "*reasonably*" determine the Company's future embedded costs, 2) NP's GRA is based on costs for 2022 and 2023, and 3) Muskrat Falls costs are expected to be introduced in rates later in 2021, is it fair to say that the revenue requirements in Table 4-1 and the cost of service study included in Volume 2 are not "*informed by the most detailed, complete and current information available?*"

c) Should NP withdraw its 2022-2023 General Rate Application until there is clarity on what its costs will be in 2022 and 2023? If not, why not?

CA-NP-011 (Application Volume 1, Exhibit 5) It is stated "*Purchased power expense reflects Newfoundland & Labrador Hydro's rates approved by the Board effective October 1, 2019 and the Customer, Energy and Demand Forecast dated May 12, 2021.*"

a) Is this the "*most detailed, complete and current information available*" for the 2022 and 2023 test years? Please explain.

b) It is noted that the ratings agencies both mention rate shock from Muskrat Falls as a risk. Does NP agree? Please explain how Muskrat Falls risks are reflected in the GRA.

c) Does NP expect the Board to render a Decision on the 2022-2023 GRA when it is not informed by the "*most detailed, complete and current information available*" knowing full well that the revenue requirement calculation does not reflect expected costs?

CA-NP-012 (Application Volume 2, Customer, Energy and Demand Forecast, May 2021) Does the load forecast ignore any impact that the introduction of Muskrat Falls costs might have on costs, rates and via elasticity effects, load? Can allocations in the cost of service study be considered fair given that a number of allocators relate to customer class consumption?

CA-NP-013 (Application Volume 1, page 1-2) It is stated "*The forecast decline in energy sales also reflects the penetration of heat pumps among the Company's customers.*"

a) Specifically, what impact has this had on capacity and energy demand forecast in the GRA?

b) Is Hydro in agreement?

c) It is understood that there is a variation of about 55 MW between Hydro and NP forecasts of NP load. Please confirm or correct this information.

d) Provide a comparison of NP and Hydro forecasts of NP load in the 2022 and 2023 test years.

e) What is being done to resolve the difference between Hydro and NP forecasts of NP load?

f) Who is ultimately responsible for forecasting load in the Province?

CA-NP-014 (Application Volume 1) How realistic are costs included in the revenue requirement and the cost of service study when NP and Hydro forecasts of NP load vary significantly?

CA-NP-015 (Application Volume 1) What rate increase would NP be requesting in this GRA if it were to base its costs on the Hydro forecast of NP load?

CA-NP-016 (Application Volume 1, page 1-9) It is stated "*The third change relates to the recovery of wholesale supply costs from forecast energy sales. A general rate application requires forecast supply costs to be reconciled with forecast revenue from energy sales during the test period. Rebalancing 2022 and 2023 supply costs and revenue from energy sales results in a 2.7% decrease in the revenue required from customer rates.*"

a) Does this rate decrease have anything to do with actions taken by NP? More specifically, is NP taking credit for this rate decrease?

b) If the same load forecast used in the 2019-2020 GRA were used in this GRA what rate increase would NP be proposing?

c) If it turns out that NP's load in 2022 and 2023 are similar to load used in the 2019-2020 GRA, how and when would NP's increased costs be passed on to customers?

CA-NP-017 (Application Volume 1, page 5-1) It is stated "*Demand is forecast to increase by 3.9% in 2021, remain steady in 2022, and decrease by 0.7% in 2023.*" What is driving the increase in demand in 2021 when no increase is forecast in 2022 and a 0.7% reduction is forecast in 2023?

Business Risk

CA-NP-018 Please confirm that Newfoundland Power (NP) is requesting a rate increase for the 2022 and 2023 test years and that all risk assessments are based on NP's risk during these test years.

CA-NP-019	Given that it has been the consistent judgment of the Board that NP is an average risk Canadian utility and that the company judges that its risks have not materially changed since 2018 (page 1-8), is it fair to say that the company remains an average risk Canadian utility? If not please explain why this risk assessment might have recently changed?
CA-NP-020	In Table 2-7, transmission costs are forecast to increase while distribution costs decrease. Please explain why this is happening and if the company regards transmission as more or less risky than distribution.
CA-NP-021	At pages 2-17 to 2-31, it appears that despite the rugged terrain Newfoundland Power's system has proven very reliable in the face of increased significant events. Can NP confirm this judgement and compare its system over the period 2010-2020 with that of Nova Scotia Power and Maritime Electric on the basis of the age of the plant and equipment in its system, for example, using net to gross plant in service or any other metric the company judges to be more useful.
CA-NP-022	(Application Volume 1, page 1-8) It is stated *The Company's business risks have not materially changed since 2018.* and *Newfoundland Power's business risks also continue to be defined by longstanding factors.* Why then is NP seeking a substantial increase in its ROE despite no change in its business risks?
CA-NP-023	(Application Volume 1, page 3-23) It is stated *The principal risks to which Newfoundland Power is exposed have not changed materially since 2018.* a) Is it accurate to say that the impacts of these risks would manifest themselves largely through changes in the volume of NP's sales? b) If NP's volume of sales fell substantially below its forecast, what recourse, if any, would it have to recover any consequent reductions in earnings?
CA-NP-024	(Application Volume 1, page 3-24) With respect to forecast housing starts during 2021-2025: a) What proportion of these starts does NP estimate will be in its service territory?

b) When completed, what proportion of these housing starts does NP estimate will use electricity as their primary heat source?

CA-NP-025 (Application Volume 1, page 3-25 and page 3-29) It is stated on page 3-25: *The weak economic outlook for Newfoundland and Labrador presents risks to Newfoundland Power's ability to recover its investment in long-life utility assets and earn a fair return.* and on page 3-29: *These demographic conditions can be expected to exert pressure on the provincial economy, government service delivery and Newfoundland Power's ability to recover its investment in long-life utility assets.*

a) How is NP's ability to recover its investments in these long-life utility assets at risk when the Public Utilities Act states that a public utility is entitled to earn a just and reasonable return on rate base?

b) If NP believes recovery of its investments in long-life assets are at risk then what risk mitigating strategies has it considered? In particular, has it considered reducing capital expenditures and prolonging the life of existing assets through enhanced maintenance? What actual risk mitigating actions has it taken since 2018 and what actions does it plan to take in 2021, 2022 and 2023?

c) Please provide a table showing NP's rate base expressed in constant dollars, FTE employees, and the ratio of the rate base to the number of FTE expressed in terms of thousands of dollars per employee for the years 1996 to 2021.

CA-NP-026 (Application Volume 1, page 3-34 and page 3-25) It is stated *Reliability of supply from the Muskrat Falls Project affects NP's business risk from 2 perspectives. First, an outage to the LIL during the winter season could result in a shortfall of up to approximately 400 MW on the Island Interconnected System. This could result in large-scale customer outages over a prolonged period of time. Such a scenario would impede NP's ability to provide adequate service and pose serious health and safety risks to the Company's customers. Under this scenario, Newfoundland Power could be expected to incur additional costs to continue serving its customers with available electricity supply. Second, inadequate supply reliability could result in the need for additional investments to improve reliability, including investments in additional* *sources of supply or investments to improve the reliability of the LIL. Such investments could be expected to contribute to higher customer rates.*

a) With respect to the first business risk, if NP had *to incur additional costs* then what recourse, if any, would it have to recover those additional costs, or would it have to absorb them?

b) (i) With respect to the second business risk, please clarify whether the *additional investment* would be undertaken by NP or Hydro.

(ii) If any additional investment were undertaken by NP, would it not be entitled to a just and reasonable return on such investment?

(iii) To the extent that higher customer rates result then aren't they borne by the customers, not NP?

Electrification Program

CA-NP-027 (Application Volume 1, pages 2-10 and 2-11) It is stated "*Customer CDM and electrification programs are complementary. As customers' energy usage increases through electrification, it becomes increasingly important to manage impacts on system peak and related system costs through CDM. Both CDM and electrification programs result in lower overall costs for customers.*"

a) Please confirm that NP's electrification program has not yet received Board approval.

b) If Board approval is not granted until August 2021 will NP's proposed electrification program be delayed? At what point will NP be forced to make schedule changes to its proposed electrification program that would impact costs included in the GRA and 2022 Capital Budget Application?

c) If the Board does not allow charging station costs in regulated rate base how will this affect the revenue requirement and rate increase proposed in the GRA?

d) If the Board does not allow cost recovery of charging station costs in a deferral account how will this affect the revenue requirement and rate increase proposed in the GRA?

e) Given that the proposed electrification program increases peak demand, does it also increase reliability risk and NP's ability to provide reliable service at lowest cost assuming CDM programs make the same contribution to peak demand reduction with or without the proposed electrification program? Please explain.

CA-NP-028 (Application Volume 1, page 2-11) It is stated *Electrification programs include incentives for residential and commercial customers to purchase an electric vehicle and associated charger*. Does NP currently offer such incentives? If so, or if it will do so in the near future, then what is the specific incentive available to purchase an electric vehicle and what is the specific incentive available to purchase a charger?

CA-NP-029 (Application Volume 1, page 2-12) It is stated "*Electrification programs will provide a rate mitigating benefit for Newfoundland Power's customers over the long term. For example, increased net revenue through electrification will provide a rate mitigating benefit for the Company's customers of approximately 0.5¢/kWh by 2034.*"

a) What customer rates were assumed in this analysis? Are these the same rates assumed in the GRA?
b) Are the costs of electric vehicles expected to be on par with gasoline vehicles by 2025?
c) Is the proposed treatment of charging station costs consistent with treatment of CDM costs?
    i) Are any of NP's costs for CDM programs included in rate base?
    ii) Does NP recover the costs of incentives for CDM programs such as low interest loans, rebates, etc. in a deferral account?
    iii) Has NP ever built, owned and operated any CDM facilities?
d) How much is the estimated rate mitigating benefit by the end of 2030?
e) Is there any risk that the projected benefit could be less than 0.5¢/kWh or even negative? Please identify any such risks.
f) If residential or commercial customers install EV chargers then would they have to upgrade their electrical panels or connections? Is the cost of such upgrades and the cost, net of incentives, of the chargers included in the calculation of the rate mitigating benefit to customers?

g) Would CDM programs that lead to reduced electricity consumption more than offset the 0.5¢/kWh rate mitigating benefit?

CA-NP-030 (Application Volume 1, Table 2-2, page 2-12) Do these figures incorporate any impacts stemming from NP charging station infrastructure?

CA-NP-031 (Application Volume 1, Table 2-3, page 2-12) How much of the program costs is NP proposing to put in rate base and how much is NP proposing to recover in a deferral account?

CA-NP-032 (Application Volume 1, page 2-13) Do the Customer Electrification Costs given in Table 2-3 include the costs of NP's proposed EV charging network project that was included in its 2022 Capital Budget Application?

CA-NP-033 (Application Volume 1, pages 2-15 and 2-16) The cumulative energy saving from CDM over 2021 to 2025 is given as 1,279 GWh at an average program cost of approximately $7.5 million annually over that time period.

a) Do participating customers bear any additional costs? If so, please identify.

b) Why spend an average of $3.6 million annually (page 2-13) from 2021 to 2025 to encourage electrification and simultaneously spend an average of $7.5 million annually on programs that lead to reduced electricity consumption?

c) Shouldn't CDM programs be focused solely on reducing growth in system peak? Please identify and explain which of the proposed CDM programs for 2021-2025 are exclusively or primarily designed to reduce system peak. Also, show the cost of each.

CA-NP-034 (Application Volume 1, page 3-57) Table 3-20 shows electrification costs increasing from $1.336 million in 2021 to $4.385 million in 2025.

a) Provide a breakdown of these costs by program.

b) Are these all of the electrification costs proposed by NP? If not, identify the additional costs and how NP proposes to recover the costs from customers.

c) What is the estimated impact of the proposed electrification program on regulated revenue requirement and rates in the 2022 and 2023 test years, and forecast in 2024 and 2025? Identify any rate mitigation that has been incorporated in the calculation.

d) Provide a table for NP and Hydro showing the costs of proposed electrification programs, the method of cost recovery and the estimated impact on rates for the period 2021 through 2025.

CA-NP-035 (Application Volume 2, Electrification, Conservation and Demand Management Plan 2021-2025) It is stated (page 3) "*based on a residential retail rate of 13.5¢/kWh and an export sales value of 4.2¢/kWh, each additional kWh consumed domestically will provide a benefit of 9.3¢.*"

a) What is the basis for assuming a residential retail rate of 13.5 cents/kWh?

b) What is the basis for assuming an export sales value of 4.2 cents/kWh? How does this compare to Nalcor Energy export sales prices in recent history? Does this figure incorporate transmission costs? If so, please provide the transmission costs. If not, why not?

c) From whose perspective is this benefit derived? If the Government provides rate mitigation bringing rates down to 13.5 cents/kWh post Muskrat Falls commissioning, who benefits from electrification, Government or consumers?

CA-NP-036 (Application Volume 2, Electrification, Conservation and Demand Management Plan 2021-2025, page 3) The quote from the Board's February 2020 rate mitigation report includes the following sentence: *Appropriate electrification programs should be pursued Government and the utilities, taking into account the impact such programs can have on Island Interconnected system peak through CDM programs.*

a) In light of that statement, why does NP expect the Board to approve CDM programs that substantially reduce electricity consumption while providing only a modest reduction in system peak by 2025?

b) It is also stated on page 3 in reference to the use of surplus electricity arising from Muskrat Falls that *each additional kWh consumed domestically will provide a benefit of 9.3¢.* How does that benefit compare to the benefit per kWh arising from reduced electricity consumption due to NP's CDM programs for 2021 to 2025?

CA-NP-037	(Application Volume 2, Electrification, Conservation and Demand Management Plan 2021-2025, page 20) In Table 4, the cumulative energy reduction over 2021 to 2025 due to CDM programs is given as 1,609.7 GWh. Please explain the difference between this figure and the figure of 1,279 GWh given on page 2-15 of Volume 1.

Rates and Customer Service

CA-NP-038	(Application Volume 1, page 3-59) It is stated "*Implementation of customer rates beginning on March 1, 2022 based on the proposed 2023 revenue requirement would result in a $1,262,000 shortfall in recovering the proposed 2022 revenue requirement.*" Please provide this calculation.
CA-NP-039	(Application Volume 1, Schedule A, page 2 of 2) What is the basis for the 1.297 cents/kWh discount for the optional domestic seasonal rate? Does this reflect pre- or post-Muskrat Falls commissioning?
CA-NP-040	(Application Volume 1, para. 15 of Application) Is it appropriate to increase all rates by 0.8% given that the reduction in load is largely owing to decreases in domestic load brought on by conversions of electric baseboard heating to heat pumps? Do the allocators in the cost of service study reflect the changes in load profile brought on by heat pump conversions? If not, please explain how the cost of service study fairly allocates costs to the different customer classes.
CA-NP-041	(Application Volume 1, page 1-2) It is stated "*This forecast decline in energy sales reflects the challenging economic conditions in Newfoundland Power's service territory. Housing starts in the province are forecast to decline, unemployment is expected to remain high, and Provincial Government spending is expected to be constrained as the province addresses its debt obligations and annual fiscal deficits.*" a) Is the economic situation expected to be even worse with the introduction of Muskrat Falls Project costs in rates later this year? Please explain.

b) What is NP doing to assist its customers during this very difficult economic period?

c) Is proposing an increase in return from the current 8.5% to 9.8% consistent with this economic scenario?

CA-NP-042 (Application Volume 1, page 1-3) It is stated "*Quarterly surveys indicate the 2 most important issues to Newfoundland Power's customers are service reliability and price.*" Provide all feedback NP has obtained from customers with respect to cost inputs included in this GRA. In particular, provide all feedback from customers with respect to: 1) NP's proposed return, 2) NP's proposed capital investment program, 3) customer willingness to pay for service improvements, and 4) customer willingness to pay for maintaining current levels of service.

CA-NP-043 (Application Volume 1, page 1-3) It is stated "*The provincial power policy requires Newfoundland Power to manage its operations in a manner that results in power being delivered to customers at the lowest possible cost consistent with reliable service.*" Define "*reliable service*" and all criteria used by NP to determine what constitutes reliable service.

CA-NP-044 (Application Volume 1, pages 1-4 and 1-5) Have most distribution utilities availed of automatic meter reading, outage management systems and high-volume call answering systems? Is it accurate to say that a distribution company that is not availing of these technologies is falling short of industry best practice?

CA-NP-045 (Application Volume 1, page 1-9) It is stated "*The second change relates to variations in Newfoundland Power's costs since its last general rate application. This includes the cost of continued investment in the electrical system, increased operating costs and the effects of amortizations proposed in this Application. The net result of these changes is a 2.0% increase in the revenue required from customer rates.*"

a) Provide the specific breakdown of the increase in costs both in magnitude and percentage terms owing to: 1) investment, 2) operating cost, and 3) the effects of amortizations.

b) How much are the investments expected to reduce operating costs? How much of this cost reduction has been built in to the GRA?

CA-NP-046 (Application Volume 1, page 2-1) It is stated "*Newfoundland Power provides service in the least-cost manner responsive to customers' expectations.*" Provide all documentation relating to customer interactions where customers were asked to make a trade-off between costs and service improvements.

CA-NP-047 (Application Volume 1, page 2-2) It is stated "*The Company's operating costs per customer were reduced by approximately 16% on an inflation-adjusted basis over the last decade.*" Why have operating costs been reduced over the past decade but are now increasing NP's proposed rates by 2% (Application page 1-9)? How does performance compare to a peer group of similar distribution companies, for example, that used by Mr. Coyne (Application, Volume 3)?

CA-NP-048 (Application Volume 1, page 2-9) It is stated "*Newfoundland Power's Customer Service System has been integral to the delivery of efficient and responsive customer service since 1993. The Company is executing a plan to replace this system by 2023 following 30 years of operation. Replacement of this system will ensure customers continue to be served in an efficient and responsive manner over the longer term.*" Can customers expect a rate reduction in 2024 following implementation of the new CSS? Please quantify the expected efficiency gain from the new CSS and its impact on customer rates.

CA-NP-049 (Application Volume 1, page 2-8) It is stated "*Newfoundland Power's meter reading operating costs were reduced by approximately 81% from $2.8 million in 2012 to $540,000 in 2020.*"

a) How much did customers pay for the new meters?

b) Please confirm that the current metering and billing system is not suited to implementation of time-of-use rates.

c) What would it cost to implement a metering and billing system that enables implementation of time-of-use rates?

d) Please confirm that NP has no plan to implement time-of-use rates prior to 2030.

e) Given customer desire to track energy consumption, can it be concluded that customers desire time-of-use rates?

f) Was customer choice considered in NP's decision to abandon implementation of time-of-use rates?

CA-NP-050 (Application Volume 1, page 2-9) It is stated "*Customers' satisfaction with Newfoundland Power's service delivery is assessed through quarterly surveys.*" Identify all questions in the survey relating to cost and rate impacts, and customer willingness to pay for service improvements. For example, were customers asked if they:

a) Would be willing to trade off reduced reliability in the form of an expected additional hour of interruption annually in exchange for a 2% reduction in rates?

b) Desire service reliability that is superior to other Canadian provinces regardless of the cost (Tables 2-7, 2-8 and 2-10)?

CA-NP-051 (Application Volume 1, page 2-10) It is stated "*Customers' satisfaction with the Company's service delivery was lowest in 2014, which was marked by widespread customer outages due to a loss of supply. This highlights the importance of service reliability to Newfoundland Power's customers.*"

a) To what extent was NP at fault for these supply interruptions?

b) Given that customer satisfaction was low at this time what steps has NP taken to address the cause of these outages?

c) Does NP believe that outages of generation and transmission on Hydro's system that led to loss of load to its customers is justification to spend money to improve reliability on the distribution system, or would the money be better spent on alleviating the cause of the outages? Please explain.

CA-NP-052 (Application Volume 1, page 2-26) It is stated "*Newfoundland Power aims to complete new service connections within 10 business days. The Company's target is to meet this timeframe for at least 85% of new service connections.*" Provide all documentation indicating that customers expect/desire new service connections within 10 days. Provide the time frame when the customers were interviewed and evidence that customers continue to expect this level of service during these difficult economic times in the Province.

CA-NP-053 (Application Volume 1, page 2-39) It is stated "*This approach to capital budgeting is conducive to rate stability for customers*." Have customers indicated a preference for stable rates over rate reductions?

CA-NP-054 (Application Volume 1, page 2-40) It is stated "*Capital expenditures are forecast to average approximately $107 million annually from 2021 to 2023. This compares to an average of approximately $97 million per year in 2019 and 2020.*"

a) Why are capital cost increases of over 10% proposed in the 2021 to 2023 time-frame?
b) What approach was followed by NP to minimize capital expenditures during this time of economic distress in the Province?
c) What controls does NP senior management place on line managers during the preparation of capital budgets?
d) Does NP prioritize its capital budget projects?
e) Did NP incorporate any of the Midgard recommendations in its 2022 capital budget, or did NP decide that none of the Midgard recommendations were worth pursuing in its 2022 capital budget?

CA-NP-055 (Application Volume 1, page 3-38) It is stated "*Compared to other electric utilities, Newfoundland Power's service territory is subject to some of the most severe wind and ice conditions for populated regions of Canada.*" Yet Figure 2-7 shows that NP's SAIDI performance is roughly twice as good as the Canadian average under normal operating conditions.

a) Are severe wind and ice conditions accounted for in the SAIDI statistics?
b) Are other Canadian utilities working to improve their SAIDI statistics, or have they determined that current levels of reliability performance are commensurate with the value their customers place on service?
c) Does this discrepancy suggest that NP is spending far too much money on reliability improvements?
d) Have NP customers expressed a willingness to pay for SAIDI performance that is twice the Canadian average?

Provide all documentation indicating that customers are willing to pay for reliability that is apparently much better than the Canadian average and that justifies "*maintaining overall levels of service reliability for customers*" (as stated on page 1-4 of Application, Volume 1).

CA-NP-056 (Application Volume 1, section 5) What is the status of Hydro and NP discussions relating to changes in the wholesale rate design charged NP? What are NP plans for studying potential changes in rate designs for its customers?

Operations

CA-NP-057 (Application Volume 1, page 2-24) It is stated "*The most recent independent review of Newfoundland Power's operations was conducted in 2014. The review found that the Company uses an effective combination of periodic inspections, maintenance and capital investments.*" Effective from what perspective? What cost metric did Liberty use in its review? For example, did Liberty conduct its review with respect to customer willingness to pay, or was cost completely ignored in the Liberty review? Does an operations review without considering cost provide any meaningful value?

CA-NP-058 (Application Volume 1, Figure 2-12, page 2-30) How do NP operating costs per customer compare to a peer group of similar distribution companies over the same time frame, for example, that used by Mr. Coyne? Please confirm that NP is proposing a 2% increase in rates owing to increasing costs in this GRA.

CA-NP-059 (Application Volume 1, Table 3-1, page 3-3) Why are there credit balances in the RSA for each year from 2019 through 2023? How would these balances be impacted if load turns out to be the same as it was in 2019?

CA-NP-060 (Application Volume 1, Table 3-5, page 3-8) The table shows that depreciation expense in 2023 is about 21% greater than depreciation expense in 2019. How does this compare to inflation over the same period?

CA-NP-061 (Application Volume 1, page 3-36) It is stated "*On a ¢ per kWh basis, operating costs increased by approximately 10% over the period 2000 to 2020. When adjusted for inflation,* *operating costs decreased by approximately 24% over this period. This is reflective of sound cost management.*" How does this compare to a peer group of similar distribution companies, for example, that used by Mr. Coyne (Application Volume 3)? Do other distribution companies employ sound management practices? Do other utilities prioritize capital projects? What is considered best practice?

CA-NP-062 (Application Volume 1, page 3-37) It is stated "*Newfoundland Power is a relatively small-sized, investor-owned utility.*" In the May 2020 EY report (included with NP's 2021 Capital Budget Application) titled *Customer information system – Assessment results and planning recommendations* it is stated (page 4) "*Newfoundland Power is the last remaining mid-to-large size Canadian utility operating a legacy CIS application…*"

a) Is NP a small-, mid- or large-size utility?
b) Mr. Coyne includes a peer group of utilities in his evidence (Volume 3 of Application). Provide a comparison of the utilities included in Mr. Coyne's peer groups to NP showing that these utilities are likewise "*small-sized*".

CA-NP-063 (Application Volume 1, page 3-39) It is stated "*Newfoundland Power is regulated on a cost of service basis broadly consistent with other investor-owned utilities in Canada.*" What other Fortis-owned utilities in Canada are regulated on a cost of service basis?

CA-NP-064 (Application Volume 1, Exhibit 3) It is stated "*Operating forecasts for 2022 and 2023 reflect projected increases of 3.00% in 2022 and 2.85% in 2023 for labour, and non-labour increases based upon the GDP deflator.*" Why are operating costs forecast to increase when the Board has approved every dollar requested in NP's capital budgets? Shouldn't operating costs be decreasing as a result of capital expenditures?

CA-NP-065 (Application Volume 2, Labour Forecast) It is stated (page 3 of 4) "*The 2021 labour forecast reflects an overall increase of 12.5 FTEs, primarily due to additional labour associated with new customer electrification programs, the Customer Service System ("CSS") Replacement Project and the Company's PLT*

Apprentice program." Provide the breakdown of FTE increases for each of the 3 categories noted.

CA-NP-066 (Application Volume 1, Exhibit 1, item 14) What measures is NP taking to reduce uncollectible bills? What are the primary causes of uncollectible bills? Is it accurate to say that uncollectible bills is not a risk to NP because it recovers the amounts as operating costs?

CA-NP-067 (Application Volume 1, Exhibit 2, item 24) NP plans to spend more than $0.5 million per year in 2021, 2022 and 2023 on advertising. What does it advertise? With electronic communications and its CSS available to reach its customers, why does NP need to advertise at all?

Accounting

CA-NP-068 (Application Volume 1, page 3-46) Provide a comparison of NP's methodology for calculating general expenses capitalized to that used by Hydro. Please explain why any differences are warranted.

Return/Cost of Capital

CA-NP-069 (Application Volume 1, pages 3-42 and 3-43) It is stated "*Mr. Coyne recommends a fair rate of return on equity for Newfoundland Power of 9.8% based upon a capital structure with a 45% common equity component.*" The September 23, 2020 presentation by Fortis Inc. titled 2021-2025 Five-Year Outlook Conference Call provides the following: i) Fortis BC Electric - 9.15 ROE on 40% equity, ii) Fortis Alberta (electric) - 8.5% ROE on 37% equity, iii) Maritime Electric - 9.35% ROE on 40% equity, and iv) Fortis Ontario - 8.52% - 9.30% ROE on 40% equity.

a) Please explain why it is appropriate for NP to have an equity component of 45% when these Canadian Fortis companies have equity components that are 40% or less.

b) What return does Mr. Coyne recommend for a capital structure with a 40% common equity component?

c) What return does Mr. Coyne recommend for a capital structure with a 37% equity component?

CA-NP-070 (Application Volume 1, page 1-8) It is indicated that NP's proposed increase in its return on equity to 9.8% for 2022 and 2023 on a common equity ratio of 45% would increase its revenue requirement by 1.5%. How much would the revenue requirement change if the return on equity were to be set at 8.34% with a common equity ratio of 40% as currently established for electric utilities in Ontario by the Ontario Energy Board for 2021? See www.oeb.ca/industry/rules-codes-and-requirements/cost-capital-parameter-updates.

CA-NP-071 (Application Volume 1, page 3-12) Table 3-9 shows that NP's cost of debt declined in 2020 and will continue declining in 2021, 2022 and 2023. With no material change in business risk, is this decline in the cost of debt an incentive to shift the equity-debt ratio in favour of more debt? Has NP considered this option? Why did NP eliminate its preference shares?

CA-NP-072 (Application Volume 1, page 3-20) Referring to its 45% common equity ratio, NP states *The Company's capital structure has not changed in over 2 decades....* For that time period, please provide a table giving NP's cost of debt by year.

CA-NP-073 (Application Volume 1, page 3-37) It is stated *The Board previously determined that a strong equity component is needed to mitigate the impact of the Company's relatively small size and low growth potential.* Order No. P.U. 19 (2003) p.45 is cited in footnote 90 as the source.

a) Please provide an update on NP's size. Specifically, provide a table showing for each of 2003 and 2020: number of customers, rate base expressed in constant dollar terms using the Statistics Canada GDP deflator, and the percentage change in each.
b) How does NP's size, in terms of number of customers and rate base, compare with that of each of the electric utilities in Ontario that are wholly owned subsidiaries of FortisOntario Inc? What is each one's allowed rate of return on equity and common equity ratio for 2021?

CA-NP-074 (Application Volume 1, page 3-41) At present, is there any balance in the Excess Earnings Account? If so, how much is it and how will it be allocated?

CA-NP-075 (Application Volume 3, Cost of Capital Report, page 50) With respect to Figure 29, please recalculate the Canadian Electric Average Allowed ROE by including all the regulated electric utilities in Ontario and Alberta individually. Thus, the revised

Figure would list all the electric utilities by names, give each one's allowed ROE, and then provide the average based on the number of individual utilities listed.

CA-NP-076 Please compare the forecast state of the provincial economy over the future test years in Table 3-13 to 2018 and 1991 when the Board approved a common equity ratio in a range of 40-45%. If this is not practical, please file any extracts regarding the provincial economy entered into evidence at the time of the Board's 1991 decision.

CA-NP-077 Does NP accept that a 45% common equity ratio exceeds average allowed common equity ratios for Canadian electric transmission and distribution utilities and further that lower financial risk offsets higher business risk? If not, why not?

CA-NP-078 In terms of Table 3.4 depreciation rates, is it fair to say that the decreased depreciation rate applied to distribution assets indicates an increased economic useful life (EUL) for those assets and the absence of stranded asset risk?

CA-NP-079 At page 2-41 NP acknowledges that "Over ½ of the Company's forecast capital expenditures relate to replacement or refurbishment of existing assets." In its judgement is a mature utility like NP more or less risky than a utility facing significant system expansion due to population growth? Please comment in detail about the relative risk of replacement versus expansion capex.

CA-NP-080 At 3-9 NP discusses its defined benefit pension plan. In 2016, NP provided (CA-NP-014) its consulting actuary's Capital Market Assumptions and Methodology (AON Hewitt) and Economic and Market Outlook (Mercer) related to these values. Please provide the latest equivalent reports and any other reports in its possession that deal with future equity and bond market returns on its pension plan assets.

CA-NP-081 In Table 3-9 NP provides its average debt cost for 2019 and that expected out to 2023. Please provide the average debt cost since 2010.

CA-NP-082 On June 2, 2018, NP issued $75 million first mortgage bonds at 3.815%. For this and any subsequent issues please provide the spread over equivalent maturity long Canada bonds and the actual maturity of the bond. Prior to 2018 has NP previously issued 40-year bonds and if so, indicate the amount, date and spread over equivalent maturity long Canada bonds as of the issue date.

CA-NP-083 In Table 3-12 NP reports its credit metrics for 2019 and forecast out to 2023. Are these reported in the same manner as DBRS and Moody's or would there be any material differences if calculated by either of them? Please provide the historical values back to 2010.

CA-NP-084 NP indicates that it may have difficulty issuing further debt due to the constraint in its trust deed and the forecast decline in its interest coverage ratio. Please indicate whether its interest coverage ratio would be declining if its allowed ROE were maintained at 8.5% and the exact mechanics of the trust deed, that is, does the trust deed take into account any debt that is refinanced by a new issue and whether the earnings based on an averaging process. Please provide the calculation when NP last issued mortgage bonds under the trust deed.

CA-NP-085 In its discussion of its credit ratings, NP indicates the issue ratings of A2 from Moody's and A from DBRS, both stable. However, in its filing page 3-14 NP refers in footnote 30 to what appears to be its *issuer* rating from Moody's of Baa1. Please indicate which rating NP believes that investors use in deciding to buy NP's bonds: the issuer or the issue rating and justify the answer and what NP regards as a "sound" credit rating consistent with the EPC(1994) the issue or issuer rating?

CA-NP-086 Please indicate the last time that representatives from Moody's and or DBRS met (or communicated in a substantive manner) with NP and whether NP fully briefed them on the possible rate shock from Muskrat Falls. Please indicate whether this was before or after both rating agencies confirmed NP's rating and judged them to be stable.

CA-NP-087 In the Moody's bond report on page 3 it indicates a debt ratio for NP of about 49% for each year from 2016 to 2019. With a 55% deemed debt (45% equity) ratio for ratemaking purposes please explain why Moody's reports a significantly lower number. In NP's judgment which number do investors pay attention to 55% or 49%?

CA-NP-088 In the discussion of Muskrat Falls on page 3-35 NP discusses the possibility of being forced to incur additional costs to provide service, which would be after the fact costs, and additional investments to improve the reliability of service, which would be before the fact costs. Please indicate how NP would expect to recover these costs from customers or whether it believes the Board would hold NP responsible for these costs such that they are borne by shareholders.

CA-NP-089 In the discussion of cost flexibility NP discusses the increasing proportion of power costs and fixed costs in its revenue requirement which it judges to be largely outside its control. Is the relevance of this discussion that NP judges it to be riskier than other utilities since the fixed charge in customer rates has not increased proportionately? If so, would NP agree this is a rate design issue that is under the control of the Board? Please indicate how much the fixed charge in Schedule A for rate 1.1 customers, currently forecast at $16.1 monthly, would have to change to match its forecast fixed costs in Table 3-14.

CA-NP-090 NP does not want to return to an automatic ROE adjustment formula for the current test years. Please indicate the forecast ROE stemming from the last ROE adjustment formula before it was suspended by the Board in 2013 for the forecast test years.

CA-NP-091 Is it NP's judgment that the use of an ROE adjustment formula for a future test year increases or reduces NP's risk? Conversely has the use of a formal review, held over relatively frequent time periods, lowered NP's risk relative to what to would have been with the use of an ROE adjustment formula?

CA-NP-092 Please provide the actual return on equity and the allowed ROE for each year since 1990 and discuss any deviations of the actual from allowed ROE outside of the band set by the board. Please discuss any material deviations and whether such causes are now covered by deferral accounts.

CA-NP-093	Please provide the pre-tax interest coverage ratio, cash flow interest coverage ratio and cash flow debt coverage as on page 3-43 for each year since 2000.
CA-NP-094	Please discuss any instances where NP has approached its investment banker since 2000 and been advised that the bond markets were not receptive to an issue by NP and how NP arranged alternative financing.
CA-NP-095	Please provide any recent Moody's analyses of its rating methodology used for evaluating regulated utilities, similar to those filed in both the 2009 and 2012 hearings. If no new ones have been issued please provide the latest documents.
CA-NP-096	Please provide any DBRS documents that describe its generic policies towards regulated Canadian and US utilities.
CA-NP-097	Please provide copies of recent equity analyst reports on Fortis that reference NP in a material way.
CA-NP-098	Please provide Fortis common equity ratio, interest coverage ratio, cash flow to debt and interest coverage and DBRS bond rating since 2000 in a similar manner to that for NP at page 3-43.
CA-NP-099	In its 2016 filing at 4-29 NP referred to potential competition as a result of increased power costs. At that time, NP was asked to provide the cost of conversion for a typical residential customer to an oil furnace and the current annual cost of heating with oil versus electricity for different rate classes. With the increased capital cost of Muskrat Falls can NP revisit and update its answer and also reference any other alternative fuels that both residential and industrial users might switch to such as propane?
CA-NP-100	NP gets its common equity from Fortis as its sole owner, can NP confirm that Fortis has had very large common and preferred share issues over the last few years and provide details of both the amounts and the issue costs attached to the share issues.
CA-NP-101	Has NP ever paid Fortis any issue costs attached to any infusions of common equity from Fortis? Further, Fortis has a

dividend reinvestment plan where shares can be purchased at a 2% discount. In the judgment of NP is a 2% issue cost appropriate for any equity issued by Fortis and then invested in NP? If not, and bearing in mind the amount of equity generated through retained earnings, what is NP's best estimate of the after tax cost paid to issue new equity to Fortis?

CA-NP-102 Can NP confirm that if its proposals are accepted it is forecasting earnings to its shareholders of $56.788 million in 2023 (Exhibit 5) and intends to payout a dividend to them of $48.918 million or a dividend payout ratio of 88%? In NP's judgment is an 88% dividend payout ratio indicative of a high or low risk company?

CA-NP-103 Why would NP refer to itself as a small utility when according to Fortis 2021 AIF, it has 270,000 customers whereas Fortis BC Electric has 182,000, Maritime Electric 84,000, Fortis Ontario 67,000? Please provide the current allowed ROE and common equity ratio for each of these other Fortis utilities.

CA-NP-104 Please provide monthly trading volumes for Fortis common and preferred shares since 2010 for the common shares and when issued for the preference shares.

<u>RFI's Specific to the Evidence of Mr. Coyne</u>

CA-NP-105 Please confirm that the Concentric evidence was prepared by Mr. Coyne or under his direction and that he will be the one who is cross examined on it at any hearing.

CA-NP-106 The following is a comparison of the "average" results from Figure 1 of Mr. Coyne's 2015 and 2018 reports on NP and his current report:

	2015	2018	2021
CAPM	9.80%	9.33%	10.60%
Constant growth DCF	10.70%	9.85%	10.80%
Multi-stage DCF	9.60%	9.47%	9.90%
Average:	10.10%	9.55%	10.40%

a) Please confirm that these averages are correctly reported and that it is Mr. Coyne's judgment that the fair rate of return is 0.85% higher currently than in 2018 and 0.30% higher than in 2015.

b) Given that in 2018 the ROE was settled at the same value as in 2015 would Mr. Coyne judge that the current 0.30% *increase* from 2015 and the 2018 0.55% *decrease* from 2015 are both within a similar zone of reasonableness leading to a similar unchanged allowed ROE? If not please explain why not.

c) Please explain the main driver of the increase in his estimate of the fair ROE in 2021 over his estimate in 2018 given that the largest increases come from his CAPM and constant growth DCF estimates and the smallest from his multi-stage DCF. Is the difference largely coming from his forward-looking analyst growth estimates that are indirectly in his CAPM estimates as part of the market risk premium and directly in the growth estimates in the constant growth DCF estimates? If not please explain why not and provide a quantitative assessment.

CA-NP-107 Please confirm that in 2015 Mr. Coyne stated (page 3) that his 9.5% ROE recommendation was "*just below the average of 9.7% across all three methods, centered with the North American range and supported by all other methods and proxy groups with the exception of the Canadian CAPM.*" In contrast in the current hearing (page 3) his recommendation is just below the 10% of his North American proxy group. Please explain the change in the reference results for his recommendation.

CA-NP-108 With respect to the paragraph on page 7 that refers to the three standards for a fair ROE and the need for a "favourable" credit rating for Newfoundland Power. Please define "favourable" and whether he judges this as consistent with the Board's statement in 2016 that rates should be set to "*enable the utility to earn a just and reasonable return so that it is able to achieve and maintain a sound credit rating in the financial markets of the world.*"

a) Is Mr. Coyne aware of any Canadian statutes or decisions of the Supreme Court of Canada that have interpreted the requirement to maintain a utility's financial integrity and credit in terms of a particular credit *rating*?

b) Since many US utility holding companies have some form of BBB credit rating would Mr. Coyne judge such a rating as consistent with the fair return standard and a sound credit rating. If not, why not?

CA-NP-109 Further to the above RFI, if a utility is unable to obtain a particular credit rating, is it Mr. Coyne's judgement that the allowed ROE or capital structure should be set at an unjust or unreasonable level to obtain such a rating? In other words which is more important: setting just and reasonable rates or targeting a particular credit rating? Has Mr. Coyne ever testified on behalf of a Canadian utility that was unable to obtain an investment grade credit rating? If so, why was the rating unattainable?

CA-NP-110 Would Mr. Coyne accept the basic justification for regulating utilities is that they are natural monopolies and would otherwise charge unjust and un-reasonable rates so that regulation is a surrogate for competition and further that many competitive firms do not have "favourable" credit ratings?

CA-NP-111 In terms of the stand-alone principle (page 7). Is the requirement for just and reasonable rates satisfied if the parent of NP (Fortis) requires NP to borrow under its own name rather than the policy of ATCO borrowing at the parent level and mirroring the costs down to its regulated subsidiaries? That is, if the parent imposes on its regulated "stand-alone" subsidiary policies that result in higher costs does that satisfy the legal requirement that rates be just and reasonable?

CA-NP-112 In 2016 it was pointed out that Concentric Energy's rate of return experts in Canada had at various times weighted their US and Canadian samples differently and emphasised averages or median values for their estimates. For all evidence filed in Canada since and including Mr. Gaske's Concentric evidence filed on behalf of Intragaz Limited partnership (R-3807-2012) please provide the regulated utility's name how the estimate was derived (average versus median) and how the US and Canadian samples were weighted.

CA-NP-113 With reference to capital structure and ROE (page 7) please confirm that if the capital structures of two utilities are set at different levels to equalise risk then they can both be allowed the same ROE, even though their capital structures are different. For example, the National Energy Board in 1994 set gas pipelines at a 30% common equity ratio and oil pipelines at 45% so both could be allowed the same ROE. If not, why not.

CA-NP-114 With reference to the Canadian economy and the Bank of Canada's risk assessment (page 8). Is it Mr. Coyne's judgment that Canada experienced a "Great Recession" after the US financial crisis or even that Canada experienced a financial crisis? If the answer is yes, please indicate which Canadian banks failed during 2009/10 equivalent to Lehman Brothers, Bear Stearns, Merrill-Lynch (taken over by B of A), Citi bailed out by the US government etc.

CA-NP-115 Mr. Coyne discusses the impact of covid 19 and central bank policies. Please indicate the maximum and current monthly levels of government bond buying undertaken by the Bank of Canada and the US Federal Reserve.

CA-NP-116 On page 22 Mr. Coyne graphs the *level* of the TSX utility index against the long Canada bond *yield*. If Mr. Coyne agrees that security prices vary inversely with required rates of return which for government bonds is the yield, why would he graph a level against a yield, in other words doesn't it simply show this inverse relationship? Please run a simple linear regression of the return on the TSX utility index against the return on the long Canada bond and report the full results, that is coefficient estimates, T. statistics, adjusted R Square etc.

CA-NP-117 On page 24 Mr. Coyne reports the state street investor confidence index, why is this relevant to Canada or Newfoundland? Is Mr. Coyne aware of any Canadian measures of business or financial confidence that might be more relevant to Canada?

CA-NP-118 Mr. Coyne refers to COFACE precisely ranking Canada and the US the same in terms of "risk" Please provide documentation on this ranking, that is, the nature of the organisation and how the rankings were derived.

CA-NP-119 Please provide a listing of all countries with the same ranking as Canada and the US and whether on this basis Mr. Coyne would regard their capital market data as of equivalent value to the US data in assessing the fair rate of return for a Canadian utility.

CA-NP-120 Mr. Coyne refers to integration generally. Whereas no-one denies that the US and Canadian capital markets are very close, can he refer to any academic studies that indicate that they are *perfectly* integrated, which is what is required for the law of one price to hold and securities to be valued identically in both markets?

CA-NP-121 In his discussion of interest rates and the integration of US and Canadian capital markets, Mr. Coyne does not seem to graph US versus Canadian long term interest rates, can he please provide such a graph and briefly discuss any implications from that graph for the recent difference between the two.

CA-NP-122 In terms of Mr. Coyne's Canadian sample can he discuss AltaGas's exposure to electricity earnings and whether its utility operations are in the US or Canada? For how long has Mr. Coyne been including Alta Gas in his Canadian sample? Please indicate whether the AltaGas in this sample is the same AltaGas covered in previous decisions by the Alberta Utilities Commission.

CA-NP-123 Please confirm that Enbridge like TC Energy is primarily a pipeline and is not a utility regulated on a cost of service basis like NP. Please confirm that in its 1994 decision that set common equity ratios the National Energy Board allowed the mainline gas transmission utilities a 30% common equity ratio and the oil pipelines, like Enbridge 45%, due to their higher business risk.

CA-NP-124 In terms of Mr. Coyne's US sample please provide the Value Line "one page summary" of the full sample of 36 US Electric utilities and the reasons for excluding each one when narrowing down his sample to 9.

CA-NP-125 In terms of Mr. Coyne's US sample please provide the percentage of generation for each utility and the percentage of generation in plant and equipment coming from nuclear power plants. In Mr. Coyne's judgement is generation an important part of business risk comparisons for US utilities? Why or why not. Please indicate whether in any Canadian evidence a

Concentric witness has made adjustments to the results for his US proxy sample due to" generation" risk.

CA-NP-126 In NP's 2021 annual information form they have the following data:

Credit Ratings

As at December 31, 2020, the Corporation's credit and stability ratings were as follows.

	First Mortgage Bonds	Outlook
DBRS	A	Stable
Moody's Investor Services ("Moody's")	A2	Stable

Please indicate which holding companies in Mr. Coyne's remaining US sample have a similar A2 senior bond *issue* rating from Moody's *and* 100% regulated operations. Please confirm that NP's parent Fortis has a DBRS rating of A(low) and Baa1 from Moody's.

CA-NP-127 Mr. Coyne (page 31) states that Canadian regulators have "accepted" the use of US data and proxy groups to estimate the allowed ROE for Canadian firms. Please provide statements from Canadian decisions that have used US estimates *without any statement of the need for adjustments or judgment* in determining the fair ROE for a Canadian regulated utility. That is, while this Board has consistently downward adjusted ROE evidence from US utilities has any Board explicitly stated that no adjustment is needed.

CA-NP-128 In terms of Mr. Coyne's Canadian sample please provide a table showing for each company the percentage of sales and assets denominated in US dollars either through sales or functional currency and confirm that NP has neither US dollar assets nor sales.

CA-NP-129 For Emera, its US subsidiary in Maine was awarded an allowed ROE of 9.35% effective July 1, 2018 which was slightly below the 9.50% requested at that time by NP. Please indicate whether there have been any subsequent adjustments to this award and provide a copy of this decision by the Maine PUC.

CA-NP-130 In terms of the cost of equity capital estimation techniques, can Mr. Coyne provide any information on what percentage of firms use DCF versus CAPM estimation techniques? Is he aware of any published survey results over the last 25 years that have looked at this? Are there any results specifically aimed at rate of return regulated versus non-regulated firms?

CA-NP-131 For the DCF equation on page 34 please explain how the constant growth formula on page 34 is derived from the general formula on page 33. That is what assumptions are required to go from the general to the specific? Is it Mr. Coyne's judgment that the equation on page 34 is appropriate for all firms or just a subset of firms that satisfy the mathematical assumptions for the DCF formula? Please provide any references to graduate finance textbooks that justifies Mr. Coyne's answer.

CA-NP-132 Please provide the underlying data used to generate the statistics in Figure 19, that is, for each company provide the underlying dividend per share, book value per share and earnings per share. Please explain whether the earnings series is as reported in each firm's financial statements or whether Value Line has "adjusted" them and explain the adjustments.

CA-NP-133 Please provide the evidentiary basis for saying that investors actually rely on analyst forecasts? Is Mr. Coyne aware of any surveys of institutions and how they use or rely on sell side analyst forecasts? Would Mr. Coyne agree that the projections he is using are commonly from what are referred to as sell-side analysts and that there are also buy-side analysts? If investors relied on such reports why would buy side analysts exist?

CA-NP-134 Please provide the Value Line book value per share, dividends per share and earnings per share for each of the 36 firms in Value Line's electricity sample and indicate whether any of the excluded firms have previously been used by Mr. Coyne (or any Concentric witness) in a proxy sample.

CA-NP-135 Please discuss whether Mr. Coyne judges there to be a survivorship bias in reducing his US sample to 9 firms from the Value Line sample of 36 in the sense that mergers and acquisitions can enhance earnings per share growth rates for the holding companies above the organic growth rate of the underlying regulated utilities. If Mr. Coyne disagrees with this possibility, please provide the number of acquisitions made by each of the surviving 9 utilities in his sample over the last 10 years and whether there were any statements about "earnings accretion" attached to the merger or acquisition.

CA-NP-136 On page 36, Mr. Coyne quotes research from 2010 that the median forecast growth rate bias has declined significantly. Please confirm that declined does not mean removed and indicate the size of the remaining bias, and whether more recent research has documented any changes in the bias since stock markets recovered after 2010.

CA-NP-137 In a June 19, 2014 Decision (Opinion 531, paragraph 33) the US Federal Energy Regulatory Commission (FERC) pointed out that as long ago as 1983 it stated that short term growth rates from investment advisory services cannot be relied on. It therefore felt that "*the constant growth DCF model **requires** (emphasis added) consideration of long-term growth projections.*" Has Mr. Coyne provided a recent cost of equity report before the FERC and if so does he agree with this decision?

CA-NP-138 Can Mr. Coyne confirm that if short run growth forecasts cannot be relied on then mixing them with a long run growth rate in a multi-stage estimate simply reduces the bias but cannot remove it? If Mr. Coyne disagrees with this conclusion, please explain why in detail.

CA-NP-139 In the FERC decision referenced above the FERC indicated (paragraph 39) that "*short term growth estimates will be based on the five-year projections reported by IBES.*" In Mr. Coyne's Exhibit JMC -3 can he confirm that the growth projections in his report are all five-year growth estimates, rather than for a shorter time period and provide documentary support?

CA-NP-140 In the Table on page 39, the multi-stage DCF estimates are all lower than the constant growth estimates, can Mr. Coyne confirm that this is solely because the short run growth estimates exceed the long run GDP forecast. Please explain why this is not the case if he disagrees.

CA-NP-141 With reference to the Table on page 39 has Mr. Coyne ever presented evidence before a Canadian tribunal where the average multi-stage DCF results were higher than the constant growth estimates? If he has, please provide the relevant pages of the evidence to confirm this.

CA-NP-142 Please provide a copy of the Moody's 2013 report referenced at footnote 47 and confirm that just because Moody's views the regulatory protection of US utilities to have improved it does not mean that they necessarily judge that it is equal to that of Canadian utilities. If not please explain why not.

CA-NP-143 On page 42 Mr. Coyne indicates that a three-year forecast of long term interest rates gives estimates of 2.54% for Canada and 3.0% for the US, does Mr. Coyne use this difference of 0.46% to downwardly adjust US equity cost estimates for use in Canada? If so please show where in his report he adjusts his US estimates downwards.

CA-NP-144 Mr. Coyne explains (page 43) that he uses Bloomberg Beta estimates based on parameters entered by the user. Instead of entering an adjustment, please provide the beta estimates without an adjustment using the same Bloomberg data for both weekly and monthly stock returns Please confirm that the returns have been adjusted for dividend payments and represent total returns, not just price returns.

CA-NP-145 Mr. Coyne states (page 43) that "*numerous empirical studies have provided evidence that an individual company Beta is more likely than not to move toward the market average of 1.0 over time.*" Please provide citations to these numerous studies, references to any graduate textbooks in finance that discuss such procedures, and any published work based specifically on public utilities. Please indicate if Mr. Coyne is aware of any published research that shows that utility betas do not adjust toward 1.0 and provide the relevant citations.

CA-NP-146 Please confirm that Mr. Coyne's betas are based on *weekly* data and that such estimates are often regarded as biased due to thin-trading problems. Please indicate whether Mr. Coyne is aware of any published academic research that analyzes this "intervalling" effect.

CA-NP-147 Will Mr. Coyne agree that the "statistical" argument he uses on page 43 implies that utility betas move toward 1.0 and if so, when he last observed unadjusted Canadian betas with a value of 1.0?

CA-NP-148 Please confirm that the Brattle group referenced by Mr. Coyne on page 44 regularly provide reports sponsored by utilities, for example, on behalf of the ATCO utilities before the Alberta Utilities Commission and TransCanada before the NEB. Similarly, that Dr. Morin provides expert evidence on behalf of utilities most recently in Canada before the Regie for Gaz Metro. If Mr. Coyne cannot so confirm please provide any references to Dr. Morin or members of the Brattle group providing evidence on behalf of interveners.

CA-NP-149 Is Mr. Coyne aware of the Credit Suisse annual by Dimson et al that looks at market risk premiums around the world and shows that they are all quite similar in developed markets even in the presence of large barriers to capital flows and that this is nothing to do with "integration" per se? If not please explain why not and if he agrees please explain the value of averaging the US and Canada, rather than all the developed markets included in the Credit Suisse Annual.

CA-NP-150 In terms of Mr. Coyne's forward looking DCF estimates for the market on page 39 and Exhibits JMC-5 &6, please provide the source and term (horizon) of the expected growth rate. If this is a short-term (less than 5 year) forecast from investment analysts, please explain why this is acceptable embedded in a market risk premium estimate when FERC found it unreliable in a straight DCF constant growth estimate?

CA-NP-151 Please confirm that the AUC in 2018 specifically rejected Mr. Coyne's forward looking market risk premium estimates since the growth rates were unrealistically too high.

CA-NP-152 Please provide the forward-looking DCF market risk premium estimate from the data in JMC- 5&6 using a multi-stage DCF model and confirm that the market risk premium estimate drops to approximately 6.0%.

CA-NP-153 Please confirm that in the historic market risk premium estimates on page 45 Mr. Coyne now uses the "income" return or yield rather than the actual return of income plus capital gain or loss for the bond returns.

a) Please provide the market risk premium estimate for both the US and Canada based on the standard methodology of total equity minus total bond total returns.

b) Please indicate when Mr. Coyne started using the income (yield) return in the historic market risk premium estimates rather than the standard total return for bonds.

c) Please provide any references to the academic literature that calculate the market risk premium in the same way that Mr. Coyne does.

CA-NP-154 Mr. Coyne adds 0.50% for an issue cost and financial flexibility adjustment. Please provide all data Mr. Coyne relied on to estimate the costs that NP bears in raising equity capital from its parent Fortis. Is such an adjustment needed for NP when it is not raising equity capital, but instead returning it to its parent Fortis?

CA-NP-155 Is Mr. Coyne aware that in the past Canadian regulators, such as the Ontario Energy Board, have allowed an ROE less than the long Canada bond yield. If so, how does this fit with his risk premium analysis on pages 46-47?

CA-NP-156 Can Mr. Coyne confirm that in his risk premium analysis he is using allowed returns for US not Canadian utilities and that if US returns are consistently higher than in Canada by say a constant 2% this will be reflected in his estimates? Further that the use of allowed ROEs from US utilities has been specifically rejected by for example the AUC? Please provide any decision by a Canadian regulator that has specifically accepted the use of US allowed returns in Canada. Please provide the underlying data in machine readable form (Excel).

CA-NP-157 Can Mr. Coyne confirm that in his risk premium analysis and graph on page 48 he has the long Treasury yield in both the risk premium and as an independent variable, that is they are on both sides of the equation. Please indicate whether he judges this to automatically generate a negative slope coefficient. Please re-run the regression equation as the allowed ROE against the long Treasury yield and provide the results. Please provide all the underlying data to replicate Figure 27 in machine readable form (Excel).

CA-NP-158 In terms of the common equity ratio comparisons on pages 54-55, can Mr. Coyne confirm that whereas these are set by Canadian regulators, in general US regulators leave this to management discretion unless they are clearly unreasonable? Please indicate any evidence he has ever offered in Canada where a Canadian sample has had a higher average common equity ratio than the US "proxy" group. Please indicate whether the US firms in Figure 31 are operating companies within a utility holding company or standalone utilities where the shares are traded in the capital market.

CA-NP-159 Please provide the Moody's and S&P credit ratings for all 36 utilities covered by Value Line.

CA-NP-160 Please confirm that S&P will not rate an operating subsidiary's debt higher than the parent unless there are exceptional reasons, such as ring fencing the sub.

CA-NP-161 Can Mr. Coyne confirm that he checked NP's security filings to see whether NP has informed investors of any changes in its risk profile since 2015. If so, please provide any extracts from such filings that indicate increased business risk for NP.

CA-NP-162 Given the importance of the recovery of power costs, can Mr. Coyne provide copies of all demand studies relied on to indicate there may be problems in recovering the higher cost of Muskrat Falls power supply? In particular, what studies of the price elasticity of demand for electricity in Newfoundland did NP provide, or Mr. Coyne consult, in the preparation of his report?

CA-NP-163 Can Mr. Coyne confirm that Atco Electric and Maritime electric are both smaller than Newfoundland Power, but they are allowed 37% and 40% common equity respectively. How would this square with Mr. Coyne's judgment that size equates to risk?

CA-NP-164 For the US companies listed in JMC-1 please indicate the *deemed* common equity ratios for the regulated operating subsidiaries and a reference to the decisions setting these common equity ratios. Alternatively, if the regulators do not set these common equity ratios but simply approve them,

	please indicate whether Mr. Coyne judges this to be a material difference to NP.
CA-NP-165	For the US companies listed in JMC-10 please indicate when the allowed ROE for the regulated operating subsidiaries was set and the decisions related to those ROEs.
CA-NP-166	For the US companies listed in JMC-10 with historic test years can Mr. Coyne provide his judgment on whether historic test years are riskier than forward test years and the frequency of review for the firms on historic test years?
CA-NP-167	Please provide NP's DBRS and Moody's bond ratings since 1990 and reference any statements made either when they were changed or the Board set the common equity ratio to a range of 40-45% in 1991.
CA-NP-168	The discussion of NP's business risk mirrors that of the company. Please: a) Indicate the timing of the meetings that took place between Concentric and NP staff (both face and by conference call); b) Provide copies of all materials that NP passed to Mr. Coyne to brief him on NP's business risk that are not already filed; and c) Indicate any substantive differences in the judgement of NP and Mr. Coyne in terms of NP's business risk.
CA-NP-169	Please provide a copy of the UBS report reference on page 72.
CA-NP-170	Please provide a copy of all electric industry reports by DBRS, S&P or Moody's over the past ten years and indicate whether a carbon tax on alternative fuel sources such as fuel oil, propane etc., increases or decreases an electric utility's business risk.
CA-NP-171	Please confirm that Mr. Coyne's risk assessment of NP is based on an assessment for the test years 2022 and 2023.
CA-NP-172	In this application NP is seeking a rate of return of 9.8%. Please advise if this application is successful, will Newfoundland and Labrador Hydro be entitled to 9.8%? Please advise if this application is successful, if the rate of

return for the Labrador Island Transmission Link and the contractual obligations hereunder will also ensure a rate of return of 9.8%.

a) Has NP calculated the cost to rate payers and rates resulting from the above, and please provide the same?

CA-NP-173 NP in recent years has experienced executive changes. Some executives transferred to other Fortis companies. Some have retired.

a) Please advise what regulatory costs are involved in reference to pensionable benefits and any and all compensation when executives transfer from one Fortis company to another.

b) Are executives entitled to pensions which are funded by rate payers, and if so, please provide particulars of the executive pension plan?

c) In terms of all other employees, please advise of the average pension an employee would receive upon retirement for the following decades:

i) 1970-1980
ii) 1980-1990
iii) 1990-2000
iv) 2000-2010
v) 2010-2020

CA-NP-174 NP is primarily a distribution company whereas Newfoundland and Labrador Hydro is a generation company. Based on assets and costs it would be reasonable to submit that Newfoundland and Labrador Hydro's capital budgets would normally exceed NP's capital budgets. Please provide a table year over year, from 2004 onward, showing on one side of the table NP's capital budgets as approved by the board, and on the other side of the table, Newfoundland and Labrador Hydro's capital budgets as approved by the board.

CA-NP-175 Please provide on a table the annual profit that NP receives for the period 2005-2020, and an adjoining table if this application is successful, please provide the annual profit that NP would receive year over year.

Dated at St. John's in the Province of Newfoundland and Labrador, this 2nd day of August, 2021.

Dennis Browne
Consumer Advocate
Terrace on the Square
Rowan Street
St. John's, NL A1B 2X1
Telephone: (709) 724-3800
Facsimile: (709) 754-3800
Email: dbrowne@bfma-law.com