O'DEA EARLE

February 25, 2015

Ms. G. Cheryl Blundon
Board of Commissioners of Public Utilities
120 Torbay Road, P.O. Box 12040
St. John's, NL A1A 5B2

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro's Amended General Rate Application

Please find enclosed the original and twelve (12) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-272 to CA-NLH-331 in relation to the above noted Application.

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

If you have any questions regarding the filing, please contact the undersigned at your convenience.

Yours very truly,

O'DEA, EARLE

THOMAS JOHNSON, Q.C.

TJ/cel
Encl.

cc: Newfoundland & Labrador Hydro
P.O. Box 12400
500 Columbus Drive
St. John's, NL A1B 4K7
Attention: Geoffrey P. Young, Senior Legal Counsel

Newfoundland Power
P.O. Box 8910
55 Kenmount Road
St. John's, NL A1B 3P6
Attention: Gerard Hayes, Senior Legal Counsel

323 Duckworth Street | P.O. Box 5955 | St. John's, NL | A1C 5X4
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Vale Newfoundland and Labrador Limited
c/o Cox & Palmer
Suite 1000, Scotia Centre
235 Water Street
St. John's, NL A1C 1B6
Attention: Thomas J. O'Reilly, Q.C.

Corner Brook Pulp & Paper Limited,
c/o Stewart McKelvey
Cabot Place, 100 New Gower Street
P.O. Box 5038
St. John's, NL A1C 5V3
Attention: Paul Coxworthy

Miller & Hearn
PO Box 129
450 Avalon Drive
Labrador City, NL A2V 2K3
Attention: Ed Hearn, Q.C.

Olthuis, Kleer, Townshend LLP
229 College Street
Suite 312
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Attention: Nancy Kleer

House of Commons
Confederation Building, Room 682
Ottawa, ON K1A 0A6
Attention: Yvonne Jones, MP Labrador/Christian von Donat

IN **THE MATTER OF**
the *Public Utilities Act,* RSNL 1990,
Chapter P-47 (the *"Act")*;

AND

IN **THE MATTER OF**
a General Rate Application (the "*Amended Application*")
by Newfoundland and Labrador Hydro for
approvals of, under Sections 70 and 75 of the Act, changes
in the rates to be charged for the supply of power
and energy to Newfoundland Power, Rural Customers
and Industrial Customers; and under Section 71 of the
Act, changes in the Rules and Regulations applicable
to the supply of electricity to Rural Customers.

CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NLH-272 to CA-NLH-331

Issued: February 25, 2015

Impacts of Latest Oil Price Forecast

CA-NLH-272 (Re: Amended GRA) What is the marginal cost of capacity and energy for the years 2015, 2016, 2017 and 2018 based on the most recent oil price forecast (please indicate date of oil price forecast)?

CA-NLH-273 (Re: Amended GRA) What is the cost of energy production from Holyrood TGS for the years 2015, 2016, 2017 and 2018 based on the most recent oil price forecast?

CA-NLH-274 (Re: Amended GRA) Please file the oil price forecast used in the 2013 GRA, the Amended 2013 GRA and the 2015 Interim Rates Application, as well as the most recent oil price forecast available.

CA-NLH-275 (Re: Amended GRA) Please file a Newfoundland Power rate design with a similar structure to that proposed, but based on the most recent oil price forecast with a second block energy charge reflecting the marginal cost of energy averaged over the period 2015 through 2017.

CA-NLH-276 (Re: Amended GRA) Please file an IIC class rate design with a similar structure to that proposed, but based on the most recent oil price forecast with the energy charge reflecting: 1) 100% of the marginal cost of energy averaged over the period 2015 through 2017; 2) 75% of the marginal cost of energy averaged over the period 2015 through 2017; and 3) 50% of the marginal cost of energy averaged over the period 2015 through 2017.

IIC Rate Phase-in

CA-NLH-277 (Re: Amended GRA) Table 1 on page 1.6R indicates that the IC

rate increase based on the 2013 Test Year was 73.1%. Based on the 2015 Test Year, that increase was reduced to 39.2 %, and was reduced again in the 2015 Interim Rates Application. Please provide a comparison of the rates proposed for the IICs for each of these applications, and based on the most recent oil price forecast, and include an explanation of the contributing factors to progressive reductions in proposed rates.

CA-NLH-278 (Re: Amended GRA) On page 1.2 (lines 4 to 6) it is stated "*Rates for Island Industrial Customers (IC), however, have not been adjusted over that period and, therefore, these rates must be realigned to reflect the increased cost of providing service*". This statement refers to the period 2007 to 2014. Please provide a table for each year from 2007 through 2017 showing IC class energy demand, average revenue from the IC class in cents/kWh, average cost to supply the IC class based on embedded costs including RSP adjustments based on the allocation methodology that best reflects cost of service in cents/kWh, and average cost to supply the IC class based on marginal costs in cents/kWh.

CA-NLH-279 (Re: Amended GRA) OC2013-089, as amended, states (paras. 1 and 5) "*Effective September 1, 2013, Island industrial customer rates will no longer be frozen. Effective on this date rate increases for Island industrial customers will be phased in over a three year period, with funding for this phase-in to be drawn from the January 1, 2007 to August 31, 2013 accumulated load variation (the Rate Stabilization Plan Surplus) component of the Rate Stabilization Plan and credited to the Island industrial customer Rate Stabilization Plan effective August 31, 2013*" and "*Notwithstanding Items 1) through 4) above, effective January 1, 2014, the Island industrial customers will be subject to Rate*

Stabilization Plan rate changes in accordance with the Board of Commissioners of Public Utilities-approved methodology". Please provide Hydro's opinion on what these clauses mean and explain how Hydro has met the requirements, and when it has not met the requirements, explain why.

CA-NLH-280 (Amended GRA) On page 4.21 (lines 1 to 2) it is stated "*Hydro is proposing to implement IC rates effective January 1, 2015 on an interim basis*". IC rates were not implemented effective January 1, 2015. Neither were they implemented September 1, 2014 as required under the Government OCs (OC2013-089, as amended), and it appears they will not be implemented March 1, 2015 as proposed in the 2015 Interim Rates Application. With Teck Resources closing operations in June 2015, it appears that there will be a revenue shortfall. How much revenue shortfall will be attributable to Teck Resources and what avenues are available to collect the revenue shortfall? Please specifically show the expected impact on each customer class of any revenue not recovered from Teck Resources.

CA-NLH-281 (Amended GRA, Schedule A) Please provide a table showing for each year Teck Resources and its predecessors were in operation in this Province (in Dollars and cents/kWh): energy consumed, revenues, cost of supply based on embedded costs including RSP adjustments based on an allocation methodology that best approximates cost of service, and cost of supply based on system marginal costs.

IIC Class Demands and Revenues

CA-NLH-282 (Re: Amended GRA) On page 1.19 (lines 12 to 13) it is stated "*The*

overall increase is a result of higher utility customer requirements partially offset by an overall decrease in IC load". Please provide a table showing actual (when available) and forecast monthly capacity and energy demand for each individual IC during the period January 2014 through December 2017. If confidentiality is a concern as stated in V-NLH-033 (Revision 1, Nov 28-14), please take the necessary steps to remove the confidentiality consideration, or at the very least, show the information requested above by combining in aggregate Teck Resources, CBPP and North Atlantic Refining into one group and Vale and Praxair into another group.

CA-NLH-283 (Re: Amended GRA) Section 3.2.4, page 17 of Exhibit 9 Lummus Consultants Final Report indicates that Vale monthly power on order will increase to 70.1 MW in 2015, 75.3 MW in 2016 and stabilize at 77.6 MW in 2017. Please provide Hydro's latest forecast in this regard.

CA-NLH-284 (Amended GRA) On page 4.29 (lines 3 to 5) it is stated "*The material increase in the specifically assigned costs to CBPP is a result of approximately $3.5 million of capital expenditures by Hydro over the period 2007 to 2015 forecast on the frequency converter in place to provide service to CBPP*". Please provide a table showing for each year from 2012 through 2014 (actual) and 2015 through 2017 (forecast) the following in dollars and average cents/kWh for CBPP: energy sales in MWh, revenues, payments for various services (i.e., capacity assistance), and the net revenue received from CBPP.

CA-NLH-285 What is the combined load and revenue of NARL, CBPP and Teck Resources in 2012, 2013, 2014, and forecast for 2015, 2016 and

2017? Please show sales in MWh, revenue from sales in dollars and average cents/kWh, costs for such things as generation purchases, capacity assistance, etc. in dollars and average cents/kWh, and net revenue in dollars and average cents/kWh.

CA-NLH-286 What is the combined load and revenue of Vale and Praxair in 2012, 2013, 2014, and forecast for 2015, 2016 and 2017? Please show sales in MWh, revenue from sales in dollars and average cents/kWh, costs for such things as generation purchases, capacity assistance, etc. in dollars and average cents/kWh, and net revenue in dollars and average cents/kWh.

CBPP Demand Credit Agreement

CA-NLH-287 (Re: Amended GRA) On page 2.72 (lines 18 to 19) it is stated with regard to the CBPP demand credit contract "*With this Application, Hydro is recommending that the pilot agreement be made permanent*". If the value of savings post Muskrat Falls are currently unknown as indicated in CA-NLH-056 (Revision 1, Nov 26-14), why is Hydro proposing to permanently instate the agreement rather than maintaining it as a pilot agreement until the benefits post Muskrat Falls are quantified?

CA-NLH-288 (Re: Response to CA-NLH-56, CA-NLH-59 and CA-NLH-162) In light of the data and information filed in the Amended 2013 GRA and the recent reduction in the oil price forecast, please update the following information for the period 2014 through 2017 as it relates to the CBPP Demand Credit Agreement:

a) the CBPP Agreement will save about $600,000 annually in fuel costs (CA-NLH-56);

b) there are no other system savings during this period stemming from the CBPP Agreement;

c) the CBPP Agreement will save CBPP about $640,000 annually on its electricity bills (CA-NLH-59);

d) the impact of the capacity assistance agreement entered into with CBPP on this analysis; and

e) the CBPP Agreement continues to be a good deal for the electricity consumers in the Province.

Cost of Service

CA-NLH-289 (Re: Amended GRA) Section 4.3.2 (page 4.15) addresses classification of purchases of wind generation. Please provide a table showing the impact of this change on cost of service allocations to the Island Interconnected System customer classes including total dollar amounts and average cents/kWh.

CA-NLH-290 (Re: Amended GRA) Section 4.3.3 (page 4.15 – 4.17) addresses Holyrood capacity factor. Why is Hydro proposing to use the average Holyrood capacity factor forecast for the five-year period ending 2015 rather than the forecast Holyrood capacity factor averaged over the three-year period from 2015 through 2017 when the proposed rates are expected to be in effect?

CA-NLH-291 (Re: Amended GRA) Section 4.3.3 (page 4.15 – 4.17) addresses Holyrood capacity factor. Please provide a table showing the impact of the proposed change on cost of service allocations to the Island Interconnected System customer classes including dollar amounts and average cents/kWh. Please include in the table the impact of using a Holyrood capacity factor based on the forecast capacity factor averaged over the three-year period from 2015

through 2017 when the proposed rates are expected to be in effect.

CA-NLH-292 (Re: Amended GRA) Section 4.3.4 (page 4.17) addresses capacity assistance agreements. Now that these agreements are in place, does Hydro still believe it appropriate to treat these costs as production demand costs in the cost of service? Please provide justification.

CA-NLH-293 (Re: Amended GRA) With regard to the capacity assistance agreements, on page 2.13 (lines 17 to 18) it is stated "*The 2015 Test Year forecast assumes an annual cost of $2.1 million for these arrangements*". Please explain how the $2.1 million cost was determined and the methodology used to allocate these costs to customer classes in the cost of service, and show how much of this cost is allocated to each customer class in the cost of service study.

CA-NLH-294 (Re: Amended GRA) Section 4.3.4 (page 4.17) addresses capacity assistance agreements. It is understood (page 3.14, lines 6 to 10) that the cost of capacity assistance from CBPP in 2014 was $6.1 million. How does Hydro propose to collect this cost from customers, on what basis, and how much of, this cost will be allocated to each customer class?

CA-NLH-295 (Amended GRA) On page 4.29 (lines 3 to 5) it is stated "*The material increase in the specifically assigned costs to CBPP is a result of approximately $3.5 million of capital expenditures by Hydro over the period 2007 to 2015 forecast on the frequency converter in place to provide service to CBPP*". Please comment on the following:

a) Does the $3.5 million spent on the frequency converter benefit any customers on the Island Interconnected System

other than CBPP?

b) Does the Corner Brook frequency converter provide a legacy benefit to all customers? Please explain.

c) Why does Hydro not simply retire the Corner Brook frequency converter from service, or alternatively, transfer ownership to CBPP? If it were to do so, which customers on the system would be disadvantaged and how?

d) If the $3.5 million spent on the frequency converter were not recovered from CBPP, which customer classes would it be recovered from and how much would be recovered from each customer class?

CA-NLH-296 (Amended GRA) Please provide an analysis showing that all costs associated with providing service to CBPP including standby power are being fully recovered.

CA-NLH-297 (Amended GRA) Please provide an analysis comparing 2015 costs and revenues under CBPP's current contract to 2015 costs and revenues assuming CBPP hydro generation were treated as a separate entity with payment for energy sold to Hydro priced similarly to generation purchased from other hydraulic generation sources on the Island Interconnected System; i.e., Exploits Generation.

CA-NLH-298 Please provide a table showing cost allocations and rate increases for the Island Interconnected System customer classes comparing: 1) proposed rates and allocations for the 2015 Test Year, to 2) a scenario based on CBPP hydraulic generation treated as a separate generation entity and removed from the cost of service; i.e., CBPP hydraulic generation would be treated as an independent power producer much like Exploits Generation.

CA-NLH-299 (Amended GRA, Schedule A) Please provide justification for including CBPP in the Industrial Customer class including a description of CBPP load and generation, and an explanation of how its demand characteristics are similar to other customers in the Island Industrial Customer class.

CA-NLH-300 P.U. 6(2012) and P.U. 9(2013) provided special rate considerations for Vale and Praxair. Please provide an analysis showing that the special rate consideration continues to be justified, and provide an estimate of when the special rate consideration should be removed.

CA-NLH-301 What is the system load factor used in the cost of service study and what is the basis for using this system load factor? Please provide a comparison of the amounts allocated to each customer class on the Island Interconnected System in dollars and average cents/kWh based on the proposed system load factor and the forecast system load factor averaged over the period January 1, 2015 through December 31, 2017.

CA-NLH-302 What is the Holyrood fuel conversion factor used in the cost of service study and what is the basis for using this fuel conversion factor? Please provide a comparison of the amounts allocated to each customer class on the Island Interconnected System in dollars and average cents/kWh using the proposed Holyrood fuel conversion factor and the forecast Holyrood fuel conversion factor averaged over the period 2015 through 2017.

CA-NLH-303 (Re: Amended GRA, Exhibit 4) Page 3 (lines 8 to 10) indicates that the CBPP generation credit savings are allocated to customers as follows: $327,000 for NP, $220,000 for the ICs and $26,000 for

Hydro Rural customers. Please provide an explanation of how the cost of service methodology might be modified to provide a fairer allocation of the savings to customer classes; i.e., savings are allocated to customer classes in proportion to energy consumption since the savings from the CBPP generation credit relate to energy.

CA-NLH-304 Given that Teck Resources is shuttering operations in June of 2015 and that Vale and Praxair are ramping up operations in 2015, is it appropriate to use 2015 forecast loads in the Test Year? Would it be more appropriate to use 2016 or 2017 loads in the Test Year? Please provide a table showing cost allocations and rate increases for the Island Interconnected System customer classes based on the 2015 Test Year loads, forecast 2016 loads, forecast 2017 loads and loads averaged over the 2015 through 2017 period.

CA-NLH-305 Please provide a table showing cost allocations and rate increases for the Island Interconnected System customer classes comparing those proposed to a scenario based on the 2015 Test Year loads with Teck Resources, NARL and CBPP forming one industrial customer class and with Vale and Praxair forming another separate industrial customer class.

CA-NLH-306 What are the pros and cons of treating each IIC as a separate customer class in the cost of service considering that after June 2015 there will be only four IICs.

CA-NLH-307 (*Expert Report on Newfoundland and Labrador Hydro's 2013 General Rate Application* prepared by Mel Dean, April 25, 2014) It is stated (page 12, lines 3 to 5): "*In order to achieve an equitable distribution of O&M expenses between Hydro's customers, all original costs should be restated in constant year dollars (2013 or*

other year)". Is Hydro aware of any jurisdiction in North America that reports its costs in constant year dollars? Are there any applicable guidelines or standards that support or prohibit reporting in constant year dollars?

CA-NLH-308 In Hydro's opinion, what is a reasonable basis for allocating transmission network costs including lines and substations between capacity and energy? Please provide justification for your response and explain how transmission network costs are allocated between capacity and energy in other jurisdictions.

CA-NLH-309 What is the total cost of network transmission including lines and substations included in the cost of service study? Please provide a table showing the revenue allocations and percentage rate increases for each customer class on the Island Interconnected System based on: 1) allocation used in the 2015 Test Year; 2) allocation of 15% of transmission network costs including lines and substations to energy and 85% to capacity; and 3) allocation of 25% of transmission network costs including lines and substations to energy and 75% to capacity.

CA-NLH-310 What is the basis for allocating distribution demand costs on the basis of coincident peak rather than non-coincident peak? Is this common practice elsewhere?

RSP

CA-NLH-311 (Re: Amended GRA) Section 4.7.1 (pages 4.36 to 4.38) addresses the load variation component of the RSP. Please provide a comparison of the monthly RSP load variation component allocations by customer class from September 1, 2013 through year

end 2015 under the current and proposed methodologies for allocation of the load variation component of the RSP.

CA-NLH-312 (Re: NP-NLH-142 (Revision 1, Nov 20-14)) The response states "*Hydro is now proposing an Energy Supply Cost Variance Deferral Account to recover variances on power purchases, diesel and gas turbine fuel costs on the Island Interconnected System that are in excess of +/- $500,000 threshold relative to the 2015 Test Year forecast*". Why is Hydro not proposing this type of deferral account for all fuel-related costs on the Island Interconnected System, thus replacing this proposed deferral account and the RSP with a single account and simplifying an RSP that has led to considerable confusion over the years? Please file a revised RSP design based on his approach.

Other

CA-NLH-313 (Re: Amended GRA) Page 2.17 (lines 12 to 14) indicates that SO_2 and CO_2 emissions are determined based on formulas approved by the provincial Department of Environment and Conservation. For the record, please file these formulas.

CA-NLH-314 (Amended GRA) Please file for the record all documentation governing CBPP access to the water rights for its hydraulic generation facilities.

CA-NLH-315 (Re: Amended GRA) Section 4.6.3 (page 4.30 to 4.31) addresses the IC rate structure review. It is stated (page 4.31, lines 2 to 4): *Hydro is proposing to review the Island IC rate design after the proposed marginal cost study is complete and a rate design review is undertaken*". Please provide a detailed schedule of activities for

the proposed studies through to implementation including how and when the study results will be incorporated into a GRA. Will the rate design studies include a review of NP's Curtailable rate and the IIC capacity assistance agreements?

CA-NLH-316 (Re: Amended GRA, Exhibit 2) Page E4 indicates that Hydro's 2013 operating and maintenance costs are not available at this time, and financial KPI data will be provided at a later date. Further, customer satisfaction was not measured in 2013. Why not, and when does Hydro propose to make these data available?

CA-NLH-317 (Re: Amended GRA, Exhibit 2) The table on page E5 indicates that Hydro did not meet a single KPI target in 2013. When did Hydro make the Board aware of its deteriorating performance and what steps, if any, did Hydro take to address its deteriorating performance?

CA-NLH-318 (Re: Amended GRA, Exhibit 2) Pages E41 and E42 summarize the under-frequency load shedding events in 2013. Why does spinning reserve not make it possible to avoid load shedding in such instances?

CA-NLH-319 (Re: PUB-NLH-311 (Revision 1, Dec 4-14)) The response lists each current and proposed deferral and recovery element in the Amended GRA. Please provide Hydro's best estimate of the amount of the adder in cents/kWh in 2015, 2016 and 2017, and the balance owing as of December 31, 2015, December 31, 2016, and December 31, 2017 based on proposals in the Application.

CA-NLH-320 What are Hydro's current plans for improving customer satisfaction going forward and what is the target for 2015?

CA-NLH-321 Given that Hydro proposes to continue with the RSP, and that significant changes in system costs are on the horizon with the construction of Muskrat Falls and associated transmission, is there justification for the Board to mandate that Hydro file its next GRA by the fall of 2017? Please provide support for the response.

CA-NLH-322 Further to CA-NLH-051, was the five-year customer service strategy completed in 2014? If not, what is its status?

CA-NLH-323 Further to CA-NLH-094, are these the most recent customer satisfaction survey and results that Hydro has?

CA-NLH-324 Further to CA-NLH-097, that reply provides reports of the Board's financial consultants for 2009, 2010 and 2011. Please provide copies of any further reports that are available.

CA-NLH-325 Further to CA-NLH-104 (Revision 1, December 18-14), why has Hydro used a vacancy assumption of 40 FTEs for 2015 that is consistent with Hydro's 2014 forecast when as of November, 2014 Hydro was trending around 50 FTEs and Hydro was anticipating it would exceed its budget of 40?

CA-NLH-326 Further to CA-NLH-121, please discuss Hydro's expectation to achieve its forecasted 2014 and 2015 capital expenditures.

CA-NLH-327 Further to CA-NLH-210, please file a copy of Hydro's test year corporate operating budget submission that was presented to Hydro's leadership for approval and detail what changes, if any, were made to same upon its review by leadership and the reason for the changes.

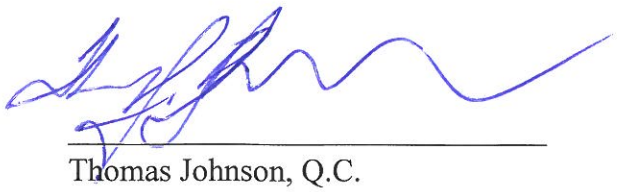
CA-NLH-328 Further to CA-NLH-211, has Hydro made an allowance for productivity in its test year operating expenses? If so, please explain how the productivity allowance was arrived at. If not, please explain why not.

CA-NLH-329 Further to CA-NLH-216, please provide updated tables for 2014 and 2015.

CA-NLH-330 Further to CA-NLH-234, please provide an updated Table 1 showing Non-Union Salary Increases for 2007 to forecast 2015.

CA-NLH-331 Further to CA-NLH-254, please provide an updated answer in light of Hydro's plans to step up hiring in 2015 from 865 FTEs in 2014 to 903 in 2015.

Dated at St. John's, in the Province of Newfoundland and Labrador, this 25th day of February, 2015.



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