



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: pcoxworthy@stewartmckelvey.com

2015-06-15

Mr. Paul Coxworthy
Stewart McKelvey Stirling Scales
Cabot Place, 100 New Gower Street
P.O. Box 5038
St. John's, NL A1C 5V3

Dear Mr. Coxworthy:

**Re: Newfoundland and Labrador Hydro - Amended General Rate Application -
Requests for Information**

Enclosed are Requests for Information PUB-IC-6 to PUB-IC-17 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or by telephone 709-726-6781.

Yours truly,

Sara Kean
Assistant Board Secretary

/cpj
Encl.

ecc. **Newfoundland & Labrador Hydro**
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NLH Regulatory, E-mail: NLHRegulatory@nlh.nl.ca
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Consumer Advocate

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Mr. Edward Hearn, Q.C., E-mail: miller&hearn@crstv.net
Ms. Melanie Dawe, E-mail: mdawe@bfma-law.com

1 **IN THE MATTER OF** the *Electrical Power*
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1 (the
3 "*EPCA*") and the *Public Utilities Act*, RSNL 1990,
4 Chapter P-47 (the "*Act*"), as amended, and regulations
5 thereunder; and

6
7 **IN THE MATTER OF** a general rate application
8 filed by Newfoundland and Labrador Hydro on
9 July 30, 2013; and

10
11 **IN THE MATTER OF** an amended general rate
12 application filed by Newfoundland and Labrador
13 Hydro on November 10, 2014.

**PUBLIC UTILITIES BOARD
REQUESTS FOR INFORMATION**

PUB-IC-6 to PUB-IC-17

Issued: June 15, 2015

- 1 **PUB-IC-6** In Section 3.4: Rate Implications for Industrials, page 18, lines 11-12, the IIC's
2 Consultants state that "*The proposed increases are especially problematic for*
3 *the IIC group given the savings this group has provided to the overall system.*"
4 They also state that the reduction of the combined load of the ICC group in the
5 system has resulted in material grid-wide savings for all customers due to
6 reduced quantity of No. 6 fuel required to serve the Island. Do you agree that
7 when energy rates are set to reflect marginal cost, customers will see the direct
8 benefit (savings) of reduced fuel consumption if load is reduced, in the same
9 way they will be responsible for the extra cost in fuel consumption when load
10 increases? Please explain your answer in detail.
11
- 12 **PUB-IC-7** In Section 5.4: Holyrood Capacity Versus Energy Classification, the IIC's
13 Consultants state that 100% classification to energy of Holyrood's fuel costs
14 does not properly reflect the cost driver as sometimes the plant operates at
15 inefficient levels to provide transmission support/capacity in contrast to when it
16 operates at efficient levels to provide energy. Please provide or estimate how
17 many MWh a year of Holyrood generation is used as an energy driven resource
18 and how many MWh as a capacity driven resource.
19
- 20 **PUB-IC-8** In Section 5.4: Holyrood Capacity Versus Energy Classification, the IIC's
21 Consultants state that 100% classification to energy of Holyrood's fuel costs
22 does not properly reflect the cost driver as sometimes the plant operates at
23 inefficient levels to provide transmission support/capacity in contrast to when it
24 operates at efficient levels to provide energy. Do you agree that before
25 Holyrood's role changes (Island-Labrador Interconnection) to a 100% backup
26 and reliability resource, Holyrood continues to be the marginal resource to
27 produce energy to the system? Please explain your answer.
28
- 29 **PUB-IC-9** In Section 5.4: Holyrood Capacity Versus Energy Classification, the IIC's
30 Consultants state that 100% classification to energy of Holyrood's fuel costs
31 does not properly reflect the cost driver as sometimes the plant operates at
32 inefficient levels to provide transmission support/capacity in contrast to when it
33 operates at efficient levels to provide energy. Do you agree that classifying
34 Holyrood's rate base, O&M and depreciation on the basis of capacity factor
35 (72.24% demand and 27.76% energy) recognizes the cost causality of the
36 generating resource? Please explain your answer.
37
- 38 **PUB-IC-10** In Section 6.1: Industrial Rate Design, page 42, lines 5-6, the consultants
39 contend that one of the perspectives of the 2008 report, that "*Holyrood*
40 *generation would be the incremental cost for the system for a substantial future*
41 *period of time,*" is no longer valid. Do you agree that until the Island-Labrador
42 Interconnection comes online, Holyrood remains the incremental generation
43 cost of the system? If you disagree please provide a detailed explanation.
44
- 45 **PUB-IC-11** In Section 6.1: Industrial Rate Design, page 42, lines 5-6, the consultants
46 contend that one of the perspectives of the 2008 report, that "*Holyrood*
47 *generation would be the incremental cost for the system for a substantial future*
48 *period of time,*" is no longer valid. Do you agree that major changes in the next
49 few years (e.g., Island-Labrador Interconnection, transitioning load for Vale

1 and Praxiar, a new marginal cost study) should require a new GRA in less than
 2 three years to review all of these changes? Please provide a detailed
 3 explanation of your response.
 4

5 **PUB-IC-12** In Section 6.1: Industrial Rate Design, page 42, lines 5-6, the consultants
 6 contend that one of the perspectives of the 2008 report, that "*Holyrood*
 7 *generation would be the incremental cost for the system for a substantial future*
 8 *period of time,*" is no longer valid. Do you agree that when energy rates are
 9 below marginal cost, there are adverse price signals that are incentives to
 10 consume additional amounts of energy that provide benefits below the resource
 11 costs of producing the additional energy? Please explain your response.
 12

13 **PUB-IC-13** In Section 6.1: Industrial Rate Design, page 42, lines 25-29, the consultants
 14 state that "*...it is not an advisable time to adopt the type of rate design*
 15 *proposed in the 2008 Final Report (or other alternative rate designs based on*
 16 *marginal costs, two block rates, or the incremental value of Holyrood fuel).*
 17 *This is because attempting to adopt the rate design concepts from 2008 would*
 18 *(a) exacerbate rate pressures on customers at a time when they are already*
 19 *experiencing a high degree of rate impacts, and (b) be obsolete by the time of*
 20 *the Labrador infeed.*" What tail block energy rate do you contend would
 21 provide a better price signal than the marginal cost of energy? Please explain
 22 your answer in detail.
 23

24 **PUB-IC-14** In Section 6.2: NP Rate Design, page 44, lines 3-4, the consultants state that "*A*
 25 *preferred approach today would remain rooted in the 2007 principles, namely*
 26 *that the second block rate is linked to the Holyrood incremental cost.*" If
 27 setting NP energy rates so that the second block is linked to the incremental
 28 cost of fuel at Holyrood provides the correct price signal, please explain why
 29 the same logic should not apply to setting tail block energy rates for Industrial
 30 Customers. Please provide a detailed explanation of your response.
 31

32 **PUB-IC-15** Please provide a copy of Table 6-1: NP First and Second Block Rates: 2015 vs.
 33 2007 in electronic format with all formulas and links intact.
 34

35 **PUB-IC-16** In Section 6.4: New Energy Supply Cost Deferral Account, page 49, lines 31-
 36 32, in reference to the proposal to protect Hydro from price changes for Power
 37 Purchase Agreements such as the Exploit generation (which assets the Province
 38 intends to transfer to Hydro's regulated operations), the consultants state that
 39 "*It is neither necessary nor advisable for the PUB to approve the inclusion of*
 40 *Exploits generation prices to the RSP or deferral accounts as it causes*
 41 *uncertainty and high degree of exposure for ratepayers.*" Would you agree that
 42 an alternative to these new energy supply cost deferral accounts is to have more
 43 regular periodic GRA filings? Please provide a detailed explanation of your
 44 response.
 45


46 **PUB-IC-17** In reference to Corner Brook Pulp and Paper Frequency Converter, Section 7.5:
 47 Conclusion, item 3: Not Specifically Assign, page 60, lines 32-35, the
 48 consultants state "*(a) The impact of this allocation [removing all 2015 cost*
 49 *increase from 2007 specifically assigned charges] would be to reduce the*

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specifically assigned cost to CBPP compared to what Hydro has proposed, and an increase to energy rates to all Island Interconnected customers compared to the GRA proposal of less than 0.07% (less than 5 one-thousands of a cent/kWh).” Please provide all supporting calculations and workpapers, in electronic format with formulas and links intact, for the 0.07% increase in energy rates.

DATED at St. John’s, Newfoundland this 15th day of June 2015.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per 
Sara Kean
Assistant Board Secretary