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HAND DELIVERED

February 22, 2016

Board of Commissioners
of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies and Gentlemen:

**Re: Application by Newfoundland and Labrador Hydro for a 2016 Standby Fuel
Deferral Account for Fuel Consumed in Combustion Turbines and Diesel
Generators**

Please find enclosed the original and 12 copies of Newfoundland Power's Requests for Information NP-NLH-001 to NP-NLH-010 in relation to the above-noted Application.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, 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 very truly,

A handwritten signature in blue ink, appearing to read "Gerard M. Hayes".

Gerard M. Hayes
Senior Counsel

Enclosures

Newfoundland Power Inc.

55 Kenmount Road • P.O. Box 8910 • St. John's, NL A1B 3P6

PHONE (709) 737-5609 • FAX (709) 737-2974 • ghayes@newfoundlandpower.com

c. Geoffrey Young
Newfoundland and Labrador Hydro

Paul Coxworthy
Stewart McKelvey

Thomas O'Reilly, QC
Cox and Palmer

Thomas Johnson
O'Dea Earle Law Offices

Sheryl Nisenbaum
Praxair Canada Inc.

IN THE MATTER OF the Electrical Power Control Act, R.S.N.L. 1994, Chapter E-5.1 (the EPCA) and the Public Utilities Act, R.S.N.L. 1990, Chapter P-47 (the Act), and regulations thereunder;

IN THE MATTER OF an Application by Newfoundland and Labrador Hydro (Hydro) pursuant to section 70 of the Act, for approval of a deferral account for diesel fuel consumed in 2016 to provide capacity and energy to the Island Interconnected System.

**Requests for Information by
Newfoundland Power Inc.**

NP-NLH-001 to NP-NLH-010

February 22, 2016

Requests for Information

NP-NLH-001 Reference: Response to Request for Information NP-NLH-142 (Revision 1, Nov 20-14), filed in relation to Hydro's Amended 2013 General Rate Application (GRA). Hydro's response states:

"In Hydro's Amended Application, Hydro is 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 a \pm \$500,000 threshold relative to the 2015 Test Year forecast. The disposition of any balance in the account will be subject to an application to the Board no later than March 1 of each year. The proposed definition of the Energy Supply Cost Variance Deferral Account is provided in Schedule VII to the Finance Evidence in the Amended Application.

Hydro will apply to have any amount for disposition included in the calculation of the RSP adjustment for recovery of the current balance."

Please explain the differences in the deferral account definition as described in Appendix B of this Application and the definition provided in Schedule VII to the Finance Evidence in the Amended Application. In the response, include an explanation of how the deferral requested in this Application will operate if the *Energy Supply Cost Variance Account* proposed in the Amended Application is approved by the Board.

NP-NLH-002 Reference: *2016 Standby Fuel Deferral Application*, Page 3, Chart 1.

Please explain in detail the relevance of the "Min. Energy Storage Target" data represented in Chart 1 and how it is used in the maintenance of appropriate reservoir levels.

NP-NLH-003 Reference: *2016 Standby Fuel Deferral Application*, Chart 1, Page 3.

At what level of total system energy storage would Hydro consider it reasonable to reduce its use of Standby Generation in 2016?

NP-NLH-004 Reference: *2016 Standby Fuel Deferral Application*, Page 4, Lines 15-17.

"Given current reservoir levels, in order for Hydro to achieve its 2015 Test Year forecast hydraulic production, and achieve 80% of maximum storage at the end of the spring runoff, Hydro would require approximately 28 precipitation events of 25mm of rain (or approximately 25 cm of snow) during the 20 week period from February to June 2016"

This evidence suggests a total of approximately 700mm of precipitation is required to restore reservoir levels. Please provide the historical total precipitation for each of the past 20 years over the period from February to June.

- NP-NLH-005 Reference: *2016 Standby Fuel Deferral Application*, Page 9, Table 6.
- Please provide the annual production from Hydro's Standby Generation for the period 2006 through 2015.
- NP-NLH-006 Reference: *2016 Standby Fuel Deferral Application*, Page 9, Lines 7-9.
- "Hydro is estimating that overall Standby Generation levels will be in excess of 200 GWh, as opposed to the 11 GWh forecast in the 2015 Test Year."*
- Please indicate any additional operating, maintenance or capital costs in 2016 or future years associated with the increased level of production required from Hydro's Standby Generation.
- NP-NLH-007 Reference: *2016 Standby Fuel Deferral Application*, Page 10, Table 7.
- Please explain the difference between the marginal production cost for Stephenville GT (27.70 ¢/kwh) and Hardwoods GT (21.10 ¢/kwh).
- NP-NLH-008 Reference: *2016 Standby Fuel Deferral Application*, Page 11, Footnote 10.
- "In contrast to forecast production levels included in the 2015 Test Year, Hydro has been running the Holyrood CT at minimum output levels during peak periods of the day to provide enhanced system reliability."*
- This Application does not appear to segregate Standby Generation fuel costs associated with enhanced system reliability from Standby Generation fuel costs associated with low reservoir levels. Is such a segregation practical and, if not, why not?
- NP-NLH-009 Reference: *2016 Standby Fuel Deferral Application*, Appendix B, Page B-1.
- "This account shall be charged with the Standby Fuel Cost Variance incurred by Hydro on the Island Interconnected System in the 2016 calendar year."*
- If Hydro's reservoirs recover to appropriate storage levels at some point throughout 2016, will the Standby Generation fuel costs continue to be recovered in the proposed deferral account? If not, why not?
- NP-NLH-010 Reference: *2016 Standby Fuel Deferral Application*, Appendix B, Page B-2.
- "Hydro shall report to the Board the balance in this account on a quarterly basis and file an Application with the Board no later than March 1, 2017 regarding the disposition of any balance in this account."*
- Please describe in detail the information Hydro proposes to provide to show that the fuel costs associated with the operation of Standby Generation in 2016 were prudently incurred in the provision of service due to low hydrology.

RESPECTFULLY SUBMITTED at St. John's, Newfoundland and Labrador, this 22nd day of February, 2016.



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