



December 18, 2013

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 2013 General Rate Application**

Please find enclosed the original and twelve (12) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-221 to CA-NLH-271 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

A handwritten signature in blue ink, appearing to read 'T. Johnson', is written over the typed name 'THOMAS JOHNSON'. The signature is stylized and loops around the name.

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



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  
Toronto, ON  
M5T 1R4  
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*, R.S.N. 1990,  
Chapter P-47 (the "*Act*");

AND

**IN THE MATTER OF**  
A General Rate Application (the "*Application*")  
by Newfoundland and Labrador Hydro for  
approvals of, under Section 70 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.

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**CONSUMER ADVOCATE  
REQUESTS FOR INFORMATION  
CA-NLH-221 to CA-NLH-271**

**Issued: December 18, 2013**

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CA-NLH-221

(Re: Response to CA-NLH-1) Does this list also include directives arising from Parties' Agreements? If not, please add them to the list.

CA-NLH-222

(Re: Response to CA-NLH-163) Please identify all programs along with their costs since 2009 that Hydro has implemented, or proposes for implementation, to improve, as opposed to maintain, reliability for customers. Please identify program costs and expected reliability improvement. In Hydro's opinion, do the 8% of customers who have indicated a willingness to pay for reliability improvements justify rate increases related to reliability improvements?

CA-NLH-223

(Re: Response to CA-NLH-168) Please provide an analysis of the Happy Valley – Goose Bay demand/supply situation currently, during Muskrat Falls construction, and following Muskrat Falls construction showing that the additional 10.5 MW transfer capability afforded by facilities added for Muskrat Falls construction is of value to customers.

CA-NLH-224

(Re: Response to CA-NLH-176) Can one conclude from this response that there has been two occasions in recent years when NP's Curtailable Load was required for system reasons, and on both occasions, it was not available? What steps has Hydro taken to remedy this situation? What steps might be taken to remedy this situation?

CA-NLH-225

(Re: Response to CA-NLH-159) The response indicates that if the RSP were abandoned, Lummus Consultants would revise the energy component of the rates for both NP and the IC. For NP this

1 would involve the consideration of moving return associated with  
2 customer costs and the rural deficit into the first block. For the IC  
3 an inclining block energy rate would be considered where the tail  
4 block is reflective of only fuel oil costs. Please file rates derived on  
5 this basis and provide a discussion of the pros and cons of such  
6 rate designs.

7  
8 CA-NLH-226 (Re: Response to PUB-NLH-333) The response relates to  
9 treatment of NP generation and curtailable load from an operating  
10 perspective. Please address the question from a cost of service  
11 perspective.

12  
13 CA-NLH-227 (Re: Response to PUB-NLH-333) The response identifies a  
14 number of operational shortcomings relating to curtailable load.  
15 Please identify operational shortcomings relating to NP generation;  
16 i.e., availability, ramp rates, etc.

17  
18 CA-NLH-228 (Re: Response to PUB-NLH-113) It is understood that the rural  
19 deficit is currently allocated on the basis of the methodology  
20 proposed by the Board's consultant in the 1993 review included as  
21 Attachment 1 to PUB-NLH-113. Please provide a table comparing  
22 current average rates (in cents/kWh), proposed average rates (in  
23 cents/kWh) and revenue to cost ratios for NP and Labrador  
24 Interconnected customers assuming the rural deficit is allocated as  
25 follows: 1) as proposed in the current GRA, 2) on the basis of  
26 revenue requirement as proposed by Hydro and the Towns during  
27 the 1993 review, and 3) on the basis of 50% revenue requirement  
28 and 50% energy as proposed by NP during the 1993 review.

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30 CA-NLH-229 (Re: Capital Assets - Table 3.6 Page 3.22 - CA-NLH-116  
31 Grant Thornton 2012 Annual Financial Review)

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Page 67 & 68 of the Grant Thornton 2012 Annual Financial Review identify two 2012 capital projects that have not been approved by the PUB for inclusion in rate base. Please discuss if these two projects have been included in the 2012 capital expenditures and accumulated depreciation and therefore included in the opening balances for capital assets.

CA-NLH-230

(Re: Deferred Charges - Table 3.9 Page 3.30)

Hydro includes in the CDM deferred charges an amortization amount for CDM of \$0.2. Please provide an explanation and detailed calculation for this amount and confirm if the related depreciation amount is included in the 2013 operating expenses.

CA-NLH-231

(Re: Deferred Charges - V-NLH-016)

Hydro states in response to the above referenced RFI with respect to GRA Costs that “As the costs of the hearing, including any cost awards, will not be finalized prior to this Decision and Order, Hydro intends to propose that any differences from the proposed \$1 million will be adjusted in the final deferral amount.” Please discuss how this will be adjusted and what would be the impact on future reporting.

CA-NLH-232

(Re: Deferred Charges - Table 3.9 Page 3.30)

Hydro includes in deferred charges foreign exchange and GRA costs which are being recovered by an annualized amortization amount included in operating expense. Hydro also includes CDM costs which are being recovered by an amortization amount and a customer specific rate rider. The foreign exchange and GRA costs could reasonably be assumed to be common to all customers from a cost causality perspective. However the CDM costs are more customer specific related costs. Please discuss if Hydro believes

1 this to be fair to all customers.

2

3 CA-NLH-233 The position description of Vice-President, Newfoundland and  
4 Labrador Hydro which lists final management as a key  
5 responsibility area (see PUB-NLH-229, Attachment 1, p. 6 of 19)  
6 states, “Provides leadership throughout NLH to maintain a high  
7 cost control environment to optimize cost for delivery of electricity  
8 related services to customers.” Please describe in detail how  
9 Hydro measures whether it is achieving and maintaining a high  
10 cost control environment and as part of the reply, please  
11 specifically identify what targets Hydro has set for itself to control  
12 costs over the past 5 years and how Hydro’s performance  
13 compares to the same.

14

15 CA-NLH-234 In PUB-NLH-028, Hydro was asked *inter alia* to state the  
16 cumulative increase given to non-union positions over the period  
17 2007 to 2012. This question was not answered. Please provide the  
18 reply.

19

20 CA-NLH-235 How does the cumulative increase given to Hydro’s non-union  
21 positions over the period 2007 to 2012 compare to increases over  
22 that period for non-union employees of other Atlantic Canada  
23 Electric Utilities?

24

25 CA-NLH-236 What consideration has Hydro given to the issue of closing entry  
26 for new employees to a defined benefit pension plan as  
27 Newfoundland Power did several years ago?

28

29 CA-NLH-237 Has Hydro considered what cost savings could be achieved for its  
30 customers of moving to a defined contribution pension for new  
31 hires? If so, please provide the results of that consideration. If not,

1 please explain why this has not been considered.  
2  
3 CA-NLH-238 What steps would Hydro need to take to close entry to its defined  
4 benefit pension plan to new hires?  
5  
6 CA-NLH-239 What is Hydro's policy as regards retiring allowances for its  
7 employees? As part of the reply, please explain how one becomes  
8 eligible to receive a retiring allowance and the extent of the  
9 benefit.  
10  
11 CA-NLH-240 Is the payment of retirement allowances a term of Hydro's  
12 collective agreement? If so, provide the excerpts for the collective  
13 agreement as regards the same.  
14  
15 CA-NLH-241 Is the retirement allowance benefit of a term of employment of  
16 non-unionized employees? If so, please provide the presently  
17 worded term of employment in Hydro's employment contracts.  
18  
19 CA-NLH-242 Has Hydro made itself aware of the measures that have been  
20 instituted in recent years in other Canadian jurisdictions to reform  
21 retirement allowances?  
22  
23 CA-NLH-243 Does Hydro intend to introduce changes to its retirement  
24 allowance policy? As part of this reply, please detail the steps that  
25 would be necessary for Hydro to end the payment of retirement  
26 allowances.  
27  
28 CA-NLH-244 For each of union and non-union employees please state the  
29 amounts paid (or forecast) by way of retirement allowances for  
30 2010 to 2014 (f).  
31



1 CA-NLH-245 Please confirm that in 2011 the Province of New Brunswick  
2 discontinued the retirement allowance for management and non-  
3 union employees hired on or after April 1, 2011. Please also  
4 confirm that this discontinuance applied to employees of New  
5 Brunswick Power.

6  
7 CA-NLH-246 Please confirm that on January 15, 2013 the Government of New  
8 Brunswick announced that effective April 1, 2013 all management  
9 and non-union employees with a continuous service date before  
10 April 1, 2011 would be provided the option of:  
11 a. receiving an immediate cash payout of retirement  
12 allowance based on completed years of service on March 31, 2013  
13 and salary at the time of retirement, or  
14 b. deferring the payment of retirement allowance until  
15 retirement based on completed years of service on March 31, 2013  
16 and salary at the time of retirement. Please also confirm that the  
17 foregoing changes apply to employees of New Brunswick Power.

18  
19 CA-NLH-247 Please confirm that Government of Canada's Economic Action  
20 Plan 2012 tabled in the House of Commons on March 29, 2012 by  
21 Minister James M. Flaherty, Minister of Finance stated, "The  
22 Government is also taking specific action to bring federal public  
23 service compensation in line with that of other public and private  
24 sector employees. This includes eliminating the accumulation of  
25 severance benefits for voluntary resignation and retirement, which  
26 to date has been eliminated for about 230,000 unionized and non-  
27 unionized federal government employees, including members of  
28 the Royal Canadian Mounted Police, the Canadian Forces and all  
29 executives in the core public administration."

30  
31 CA-NLH-248 In reply to PUB-NLH-302, Hydro states that for positions below

1 executive, Hydro sets its comparator group to be the Atlantic  
2 Canada Electric Utilities. Please provide the current retirement  
3 allowance policies of each of the utilities in this comparator group.  
4

5 CA-NLH-249 Please provide the current policy for each of the utilities in  
6 Hydro's comparator group (i.e. Atlantic Canada Electric Utilities)  
7 as regards the type of pension plan (i.e. defined benefit vs. defined  
8 contribution) open to new employees.  
9

10 CA-NLH-250 How many linespersons, industrial electricians, millwrights and  
11 technologists have left Hydro other than by reason of retirement or  
12 death in each of the years 2008 to date?  
13

14 CA-NLH-251 Please provide the number, title and location of positions which  
15 Hydro has publicly advertised over each of the years 2010 to 2013  
16 as well as the amount of time elapsed from advertisement to the  
17 filling of the positions together with the number of qualified  
18 applications received for each position.  
19

20 CA-NLH-252 Please provide the number of qualified applications Hydro  
21 currently has on file from persons seeking employment with  
22 Hydro. Please provide the numbers by position sought.  
23

24 CA-NLH-253 How many new hires is Hydro forecast to make over each of 2014,  
25 2015, 2016 and 2017?  
26

27 CA-NLH-254 By 2017, what proportion of Hydro's workforce will have less than  
28 10 years of service?  
29

30 CA-NLH-255 In reply to PUB-NLH-038 Hydro states that in 2013 it (in  
31 conjunction with Nalcor) engaged Morneau Shepell to conduct a

1 Benefits Market Study. Hydro did not provide the report on the  
2 basis that it is said to contain confidential and commercially  
3 sensitive comparisons between benefit providers. Will Hydro  
4 provide a redacted version?  
5

6 CA-NLH-256 Further to the above question in CA-NLH-255, did Morneau  
7 Shepell place any conditions upon its disclosure in a regulatory  
8 setting?  
9

10 CA-NLH-257 Please provide a copy of the letter of engagement or contract with  
11 Morneau Shepell.  
12

13 CA-NLH-258 Please provide a copy of Morneau Shepell's invoice(s) in relation  
14 to its work in relation to the Benefits Market Study.  
15

16 CA-NLH-259 In reply to NP-NLH-154, Hydro states that the impact of using the  
17 median (i.e. 4,590 GWh) of hydraulic probability distribution  
18 instead of the mean (i.e. 4,533 GWh) (and assuming that the 2013  
19 Test Year No. 6 fuel consumption price is used in each scenario)  
20 would be to reduce the revenue requirement by \$9,261,000. In  
21 Hydro's assessment would the use of the median of the hydraulic  
22 probability distribution be a reasonable approach or equally as  
23 reasonable as using the mean approach? If not, please explain. If  
24 so, please explain.  
25

26 CA-NLH-260 In reply to PUB-NLH-302, Hydro states *inter alia* that the  
27 comparator group for Non-Union Positions below Executive is the  
28 median of the Atlantic Canada Utilities. Why does Hydro compare  
29 this group to Atlantic Canadian Utilities and not the broader  
30 industry in Atlantic Canada or Canada?  
31

1 CA-NLH-261 Further to PUB-NLH-302, does Hydro have written advice from its  
2 compensation consultants that addresses Hydro's selection of its  
3 comparator groups for 1) Union Positions 2) Non-Union Positions  
4 Below Executive 3) Executive? Please provide all such advice  
5 received over the past 5 years.  
6

7 CA-NLH-262 In reply to CA-NLH-214, Hydro stated that as of November 1,  
8 2013, the vacancy rate was 51.8 FTEs, whereas Hydro had  
9 forecasted 40 vacancies for 2013. What impact will the increased  
10 vacancy rate have on Hydro's test year revenue requirement?  
11

12 CA-NLH-263 In reply to NP-NLH-28, Hydro states that it is not proposing to  
13 make any adjustments to the 2013 test year to ensure that the rates  
14 established for 2014 reflect the costs to provide service in 2014.  
15 Does a basis exist in regulatory or rate making principle for not  
16 making an adjustment to the test year to ensure that rates  
17 established for 2014 reflect the costs to provide service in 2014?  
18 Please explain.  
19

20 CA-NLH-264 Please explain how the use of a 2013 test year without making any  
21 adjustments to the 2013 test year to ensure that the rates  
22 established for 2014 reflect the costs to provide service in 2014 is  
23 consistent with the power policy expressed in S. 3(a) (i) and (ii) of  
24 the *Electrical Power Control Act*, 1994 as amended.  
25

26 CA-NLH-265 In reply to PUB-NLH-029, Hydro produced a Memo from Kenneth  
27 Yung of Mercer to Hydro dated 14 November, 2013 which states  
28 that Mercer is comfortable with NLH/Nalcor releasing the  
29 following:

- 30 • Mutual Non-Disclosure Agreement dated 08 December  
31 2010

- 1 • Engagement Letter Agreement dated 24 February 2011
- 2 • Mercer invoices covering the period from 01 November
- 3 2010 through 31 March 2011.

4 Please provide the same.

5

6 CA-NLH-266 In the above reply, Mercer’s Memo of 14 November 2013 states  
7 that it is not comfortable with the release of any of Mercer’s  
8 reports, correspondences or related work. Would Mercer please  
9 confirm that in other cases when its client is a regulated entity that  
10 such material has been provided to the regulator and proper parties,  
11 and describe what, if any, conditions have been placed upon its  
12 being made available.

13

14 CA-NLH-267 Would Hydro please confirm that the material contained in  
15 Mercer’s reports, including drafts and final versions are relevant to  
16 an examination of Hydro’s labour costs in this proceeding.

17

18 CA-NLH-268 In reply to PUB-NLH-029, Hydro states that it participates in  
19 annual compensation planning surveys (p. 1 of 2, line 8). Please  
20 state which annual compensation planning surveys that Hydro  
21 participates in and please provide a copy of Hydro’s completed  
22 survey(s) over each of the years 2007 to and including 2013.

23

24 CA-NLH-269 In reply to PUB-NLH-029, Hydro states that it also participates “in  
25 comprehensive or specialized surveys as it deems necessary due to  
26 challenges or increasing pressure arising in the labour market.”  
27 Please provide a copy of Hydro’s completed surveys over each of  
28 the years 2007 to and including 2013.

29

30 CA-NLH-270 (Re: Response to PUB-NLH-8) In its December 2, 2013 letter, the  
31 Department of Natural Resources indicates that the transfer of the

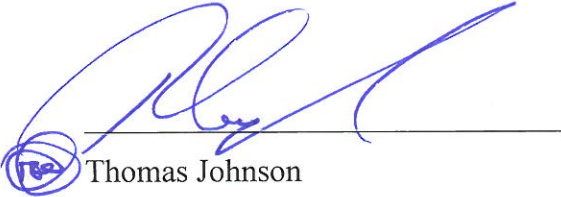
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Exploits generation facilities to Hydro is to take place by June 2014. What is the status of the negotiations with the Ministry and what impact is the asset transfer expected to have on Hydro's cost of power and revenue requirement relative to the assumptions included in the GRA; i.e., purchase price of 4 cents/kWh?

CA-NLH-271

(Re: Response to IR-PUB-NLH-43) Using the formulas shown on pages 9 and 11 of the Attachment, please show the calculation of interim rates for the period September 1, 2015 to August 31, 2015 for both the ICs and Teck. Base the calculation on the rates proposed in the GRA and the most up-to-date assumptions and forecasts.

Dated at St. John's in the Province of Newfoundland and Labrador, this 18<sup>th</sup> day of December, 2013.



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