

# Office of the Consumer Advocate

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October 6, 2023

Board of Commissions of Public Utilities  
120 Torbay Road  
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St. John's, NL A1A 5B2

**Attention: Jo Galarneau**  
**Executive Director and Board Secretary**

Dear Ms. Galarneau:

**Re: Newfoundland and Labrador Hydro 2024 Capital Budget Application**

Further to the above-captioned, enclosed please find the Consumer Advocate's Requests for Information numbered CA-NLH-119 to CA-NLH-136.

Should you have any questions regarding the enclosed, please contact the undersigned at your convenience.

Yours truly,



**Stephen Fitzgerald, KC**  
**Counsel to the Consumer Advocate**

/bb

cc **Newfoundland & Labrador Hydro**  
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**IN THE MATTER OF** the *Public Utilities Act*,  
RSNL 1990, c P-47 (“Act”); and

**IN THE MATTER OF** an Application by  
Newfoundland and Labrador Hydro (“Hydro”)  
for approval of (i) its capital budget for 2024  
pursuant to Section 41(1) of the Act;  
(ii) its proposed capital purchases and construction  
projects for 2024 in excess of \$750,000.00,  
pursuant to Section 41(3)(a) of the Act; and  
(iii) for an Order pursuant to Section 78 of the  
Act, fixing and determining its average rate  
base for 2022.

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**CONSUMER ADVOCATE  
REQUESTS FOR INFORMATION  
CA-NLH-119 to CA-NLH-136**

**Issued: October 6, 2023**

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- 1 CA-NLH-119 (Reference CA-NLH-008) Footnote 4 states “*The Rate Stabilization Plan and Supply Cost Variance Deferral Account are excluded from rate base.*”
- 2
- 3 (a) Are all other amounts in the deferral accounts in Table 1 included in rate
- 4 base?
- 5 (b) What adjustments to the amounts in the Supply Cost Variance Deferral
- 6 Account have been made as a result of government contributions?
- 7 (c) How does Hydro propose to collect the amounts in the Supply Cost
- 8 Variance Deferral Account from customers and how much money has
- 9 been collected from customers to date?
- 10 (d) What factors have contributed to the large amount built up in the Rate
- 11 Stabilization Plan?
- 12
- 13 CA-NLH-120 (Reference CA-NLH-009) It is stated “*Hydro continues to take deliberate*
- 14 *actions to achieve a lower level of requested investment in its 2024 Capital*
- 15 *Budget Application, as compared to prior years;...*” Is this realistic in light
- 16 of cost pressures brought on by: 1) the need for additional generating
- 17 capacity, 2) continuing reliability issues with the LIL, 3) continuing need
- 18 for the Holyrood TGS and combustion turbines, and 4) increasing demand
- 19 owing to government net-zero carbon efforts?
- 20
- 21 CA-NLH-121 (Reference CA-NLH-011) It is stated “*in the absence of a suitable energy*
- 22 *storage system, large-scale, non-dispatchable resources such as these have*
- 23 *limited viability on Hydro’s bulk electrical system.*” However, the U.S.
- 24 Energy Information Administration (EIA) states<sup>1</sup> “*In 2022, generation from*
- 25 *renewable sources—wind, solar, hydro, biomass, and geothermal—*
- 26 *surpassed coal-fired generation in the electric power sector for the first*
- 27 *time.*” The EIA goes on to say “*Utility-scale solar capacity in the U.S.*
- 28 *electric power sector increased from 61 gigawatts (GW) in 2021 to 71 GW*
- 29 *in 2022, according to data from our Electricity Power Monthly.*” How are
- 30 these jurisdictions combining non-dispatchable resources with other
- 31 generation and ancillary service resources to compensate for production
- 32 variability and non-dispatchability?
- 33
- 34 CA-NLH-122 (Reference CA-NLH-017) What is Hydro’s estimate of rates in 2024 and
- 35 2025 if there is no additional government-funded rate mitigation?
- 36
- 37 CA-NLH-123 (Reference CA-NLH-019) It is stated “*The Dunsky Report could not justify*
- 38 *AMI based on savings through dynamic rates until 2034.*”
- 39 a) Can Hydro and Newfoundland Power (NP) justify AMI based on
- 40 savings (e.g., to eliminate, or delay the need for, system capacity
- 41 additions), customer fairness (e.g., to reduce cross-subsidization in the

<sup>1</sup>[www.eia.gov/todayinenergy/detail.php?id=55960#:~:text=Growth%20in%20wind%20and%20solar,from%20our%20Electricity%20Power%20Monthly](http://www.eia.gov/todayinenergy/detail.php?id=55960#:~:text=Growth%20in%20wind%20and%20solar,from%20our%20Electricity%20Power%20Monthly)

rate structure), and customer choice (e.g., providing customers a choice of rate options)? Please file all studies undertaken by Hydro and NP in this regard.

- b) Did Dunsky consider government net-zero carbon initiatives, Hydro's current claim that the Island Interconnected System is capacity deficient, customer fairness and customer choice in its assessment of AMI or was Dunsky focused exclusively on savings? Please provide all references in the Dunsky report relating to the assessment of AMI with respect to these issues.
- c) When was the Dunsky report completed? When did the government announce net-zero carbon initiatives and when did Hydro first identify the current need for additional generating capacity?
- d) Could time-of-use rates result in savings to customers, for example, those with electric vehicles, while reducing the cost, and requirement for, new system capacity additions?
- e) How may Hydro's ratepayers benefit from the implementation of time of use rates generally?

CA-NLH-124

(Reference CA-NLH-023) It is stated "*It is Hydro's view that a fixed amount of capital expenditure lower than the \$96.6 million proposed would result in a risk to the provision of safe, reliable, least-cost service for customers as Hydro, through its CBA preparations, has already taken deliberate action to reduce investment levels where practicable.*" How was Hydro able to provide safe, reliable least-cost service in 2022 and to date in 2023 when it failed to complete a sizeable portion of the approved 2022 capital budget?

CA-NLH-125

(Reference CA-NLH-026) It is stated "... *Hydro intends to continue this engagement through a digital survey planned for the fall of 2023.*" Will the Consumer Advocate be given the opportunity to comment on the survey before it is initiated?

CA-NLH-126

(Reference CA-NLH-035 and CA-NLH-037)

- a) Does Hydro classify facilities that benefit only one customer as specifically-assigned assets, and facilities that benefit more than one customer as common assets?
- b) Does Hydro collect costs for specifically-assigned assets from only the customer that benefits from the assets?
- c) Over the past 5 years has Hydro recovered about \$1.7 million from Island Interconnected customers via specifically-assigned charges?
- d) How does Hydro recover the costs of specifically-assigned assets from Island Interconnected customers and what policy governs such cost recovery?

- 1 CA-NLH-127 (Reference CA-NLH-026) It is stated *“Hydro’s capital investments reflect*  
 2 *its obligations to provide reliable service, in an environmentally*  
 3 *responsible manner at the least possible cost.”*
- 4 a) Could Hydro meet this obligation if it were to, for example, refurbish a  
 5 substation that supplies a single customer and classify the cost as  
 6 common rather than specifically-assigned? What is Hydro’s practice in  
 7 such circumstances?
- 8 b) In the quote in CA-NLH-032 (e), it is stated *“It also emphasizes the need*  
 9 *for a tempering of each interest group’s economic imperative by*  
 10 *consideration of the interests of the other.”* For the example provided in  
 11 part (a) of this RFI, in Hydro’s opinion, would spending capital on the  
 12 substation refurbishment and classifying the cost as common meet this  
 13 definition of “fairness”?
- 14 c) For the example provided in part (a) of this RFI, in Hydro’s opinion,  
 15 would spending capital on the substation refurbishment and classifying  
 16 the cost as common be a “prudently-incurred cost” on behalf of its  
 17 customers?  
 18
- 19 CA-NLH-128 (Reference CA-NLH-027) It is stated *“Newfoundland and Labrador*  
 20 *Hydro’s (“Hydro”) capital risk evaluation within its asset management*  
 21 *program provides the baseline risk (i.e., pre-implementation), residual risk*  
 22 *(i.e., post-implementation), and the mitigation value, in the 2024 Capital*  
 23 *Budget Application (“CBA”) for projects and programs in the Renewal,*  
 24 *Service Enhancement and General Plant investment classifications, as*  
 25 *required by the provisional CBA Guidelines.”* Please explain how Hydro’s  
 26 risk evaluation quantifies the risk of proceeding with a capital project now  
 27 versus 3 years from now.  
 28
- 29 CA-NLH-129 (Reference CA-NLH-038) Please provide a table showing the date of each  
 30 deployment of the portable substation since it was purchased in 2004,  
 31 provide an explanation of why it was deployed, provide the date when the  
 32 portable substation was deemed available for its next deployment, and  
 33 provide an explanation of the change in circumstances that led to the  
 34 declaration that it was now available for deployment.  
 35
- 36 CA-NLH-130 (Reference CA-NLH-077) It is stated *“Hydro notes that this program is not*  
 37 *justified on the basis of SAIDI and SAIFI improvements; it is justified based*  
 38 *on the feeders’ deteriorated condition. If the refurbishment work is not*  
 39 *completed, the condition of the assets will continue to deteriorate, resulting*  
 40 *in unscheduled power outages. Therefore, this program is proposed to*  
 41 *mitigate that risk and provide reliable service to the customers through*  
 42 *preventive maintenance initiatives instead of corrective maintenance after*  
 43 *the fact.”*
- 44 a) Do SAIDI and SAIFI statistics relate to unscheduled power outages?

- 1 b) Are SAIDI and SAIFI statistics commonly used to reflect service  
 2 reliability in the industry?  
 3 c) Are the SAIDI and SAIFI statistics for these feeders over the past 5  
 4 years comparable to Hydro's system averages?  
 5 d) Does Hydro believe that one sign of deteriorating infrastructure is  
 6 deteriorating SAIDI and SAIFI statistics for customers served by the  
 7 deteriorating infrastructure?  
 8

9 CA-NLH-131 (Reference CA-NLH-099) It is stated "*The use of mobile generation must  
 10 not be considered a permanent solution in the absence of Holyrood T7, as  
 11 this generation must be available for other unforeseen events on the Hydro  
 12 or Newfoundland Power systems.*" Has this mobile generation been  
 13 available for unforeseen events during the past two winter periods and will  
 14 it be available for unforeseen events during the upcoming winter period?  
 15 Has there been a need for the mobile generation elsewhere during the past  
 16 two winter periods?  
 17

18 CA-NLH-132 (Reference PUB-NLH-056) With respect to Table 1, what percentage of the  
 19 total approved budget do these carryovers represent in each year?  
 20

21 CA-NLH-133 (Reference CA-NP-115) With respect to the Allowance for Unforeseen  
 22 Items, were all the "Actual Spend" amounts in Table 1 included in Hydro's  
 23 rate base?  
 24

25 CA-NLH-134 (Reference PU-NLH-037) With respect to the use of a three-year (2020-  
 26 2022) historical average to determine cost estimates for some of Hydro's  
 27 projects in its 2024 CBA:

- 28 a) For the case of Distribution System In-Service Failures, Miscellaneous  
 29 Upgrades, and Street Light program please provide the details of the  
 30 calculation of its 2024 cost estimate. Include the values of the three  
 31 years of expenditure, the calculation of their average, the percentage  
 32 escalation and the nature of the escalation (e.g. CPI, GDP deflator, Bank  
 33 of Canada target inflation rate, Hydro's in-house estimate) as well as the  
 34 published source of the escalation figure.  
 35 b) Please identify the other projects/programs for which Hydro uses its  
 36 three-year average method to determine project/program cost estimates,  
 37 and indicate whether the calculation and the escalation rate are the same  
 38 in those cases as with the Distribution System In-Service Failures,  
 39 Miscellaneous Upgrades, and Street Light program.  
 40

41 CA-NLH-135 (Reference CA-NLH-109) For 2021 and 2022 please provide a table  
 42 showing the actual spend amount added to rate base for each year by  
 43 program/project as well as the corresponding CBA budget amount.  
 44

1 CA-NLH-136

(Reference September 29, 2023 Quarterly Update – Items Impacting the Delay of Hydro’s Next General Rate Application) It is stated “*As project costs have been finalized, the focus is on finalizing the details and mechanisms that comprise the rate mitigation plan.*”

- 2
- 3
- 4
- 5 a) Why is it necessary to finalize the rate mitigation plan before filing a
- 6 General Rate Application (GRA)?
- 7 b) Is the rate mitigation plan a cost associated with the supply of electricity
- 8 to the province’s electricity consumers, or is it a subsidy that is expected
- 9 to be applied to electricity rates according to government directives?
- 10 c) Are Hydro’s costs of supply the same with or without the rate mitigation
- 11 plan? If not, how does Hydro expect its cost of supply to be impacted
- 12 by the government’s rate mitigation plan?
- 13 d) Does Hydro expect to include the rate mitigation plan in the cost of
- 14 service study filed with its next GRA?
- 15 e) Is the primary purpose of the GRA to determine, and make transparent,
- 16 Hydro’s cost of supply as a basis for establishing customer electricity
- 17 rates? If not, what is the purpose of the GRA?
- 18 f) Would filing a GRA and subjecting it to the review process better inform
- 19 the government on an appropriate rate mitigation plan?
- 20 g) Does Hydro have the independence and autonomy to design its next
- 21 GRA and to decide when to submit it to the Board or will these decisions
- 22 be made by the provincial government? If Hydro disagrees with the
- 23 provincial government’s approach to rate mitigation does it have the
- 24 authority under current legislation to proceed otherwise?

**DATED** at St. John’s, Newfoundland and Labrador, this 6<sup>th</sup> day of October, 2023.

Per: 

**Stephen Fitzgerald, KC**

**Counsel for the Consumer Advocate**

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