

# Office of the Consumer Advocate

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March 22, 2004

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

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

Dear Ms. Galarneau:

**Re: Newfoundland Power Inc. – 2025-2026 General Rate Application**  
**- Requests for Information**

Further to the above-captioned, enclosed are the Consumer Advocate's Requests for Information numbered CA-NLH-006 to CA-NLH-016.

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

Yours truly,



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

Encl.

/bb

cc **Newfoundland Power Inc.**  
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**IN THE MATTER OF** the *Public Utilities Act*,  
R.S.N.L. 1990, Chapter P-47, as amended, (the  
“Act”); and

**IN THE MATTER OF** a General Rate Application  
by Newfoundland Power Inc. (“Newfoundland Power”):  
to establish customer electricity rates for 2025 and  
2026 (the “Application”).

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**CONSUMER ADVOCATE  
REQUESTS FOR INFORMATION  
CA-NLH-006 to CA-NLH-016**

**Issued: March 22, 2024**

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1 CA-NLH-006

(Reference CA-NLH-002) In Hydro's March 28, 2023 submission titled "Newfoundland Power Inc. – 2023 Supplemental Capital Application – Memorial Substation Power Transformer Replacement – Comments" it is stated (page 2) "*In the interest of regulatory fairness and consistency with accepted utility practice in this jurisdiction, Hydro believes that, prior to approving the proposed project, the Board should require Newfoundland Power to enter into an agreement with Memorial University requiring a contribution from the customer for the total capital cost required to maintain redundant supply, including the replacement of transformer T2.*"

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- a) Does Hydro consider the Memorial Substation to be a radial facility that benefits only Memorial University? Should all components of the Memorial Substation be categorized as specifically-assigned? If not, what components of the Memorial Substation should be categorized as common and why?
  - b) If Hydro determined it necessary to replace a transformer at one of its substations that is specifically assigned to Newfoundland Power, would Hydro require Newfoundland Power to pay the entire cost of the transformer replacement? Specifically, what steps would Hydro take and what policies would Hydro consult if a transformer at a substation that is specifically-assigned to Newfoundland Power failed and required replacement?
  - c) Is supply redundancy a factor in Hydro decisions on whether or not to designate a facility as a specifically-assigned asset?
  - d) Is Hydro aware of any jurisdictions in Canada that recover costs of transmission facilities that benefit only one customer from non-benefitting customers? Does such practice result in fair and non-discriminatory rates? Does such practice result in cross-subsidization?
  - e) Does Hydro include only the costs of transmission assets that are categorized as "common" in its transmission tariff, or does Hydro also include the costs of specifically-assigned assets in its transmission tariff?

36 CA-NLH-007

(Reference CA-NLH-002) It is understood that the cost of Long Pond Substation was fully-contributed by Memorial University. On February 21, 2023 Newfoundland Power filed an application for approval of a Contribution in Aid of Construction for an upgrade to Long Pond Substation for Memorial University. In the application, Newfoundland Power estimated construction costs for the upgrade at about \$3.3 million and requested that the amount of \$0 be paid by the customer. The Board approved Newfoundland Power's request in P.U. 5(2023).

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- a) Did Hydro intervene in this application? If so, please file Hydro's submission.

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- b) If a substation upgrade such as this were necessary at a Hydro substation that benefits only Newfoundland Power, would Hydro require Newfoundland Power to pay the full amount of the upgrade, or would Hydro assign part of the cost to non-benefitting customers? Please explain.
- c) Would Hydro include the cost of an upgrade such as this in rate base?
- d) How would Hydro deal with the cost of an upgrade such as this in its cost of service study?

CA-NLH-008

(Reference CA-NLH-005) It is stated “*Without the required information on the final rate mitigation plan, Hydro does not have adequate certainty to develop test year forecast revenue requirements for use in its GRA filing.*”

- a) Why is Hydro unable to determine its revenue requirement without a finalized rate mitigation plan? Does Hydro know its cost of supply?
- b) How does Hydro currently determine the amounts included in the Energy Supply Cost Variance Account?
- c) Does a revenue requirement that incorporates a rate mitigation plan result in a fictitious cost of service study and reduced transparency? At any time in the past has Hydro been ordered by the Board to re-file a cost of service study that had been based on a fictitious supply scenario?
- d) Could Hydro file its GRA and subject it to a transparent review process following which the government could decide on a rate mitigation plan? Would this result in a more transparent process?
- e) In Hydro’s opinion, by not re-basing its power supply costs is Newfoundland Power basing its GRA on a fictitious cost of service study?

CA-NLH-009

(Reference PUB-NLH-001) It is stated “*If it is determined that there is a viable option, Hydro will apply to update the wholesale rate later this year.*” How difficult is it to develop a viable wholesale rate to better reflect the marginal cost of energy exports that are forecast to range from 3 to 5 cents/kWh? Who benefits from waiting until the next GRA which has been delayed on numerous occasions (Hydro was originally ordered to file its next GRA by September 30, 2020) and is now expected to be filed in 2025?

CA-NLH-010

(Reference PUB-NLH-001) In Hydro’s opinion, is the current wholesale rate design limiting Newfoundland Power’s ability to re-design its retail rates so that tail-block energy charges better reflect marginal energy costs? More specifically, in Hydro’s opinion is an updated wholesale rate a necessary precondition for Newfoundland Power to update its retail rates?

- 1 CA-NLH-011 (Reference CA-NP-004) It is stated “*Liberty found that the initiative*  
2 *did not provide substantial guidance in analyzing tradeoffs between*  
3 *cost and reliability.*” Does Hydro agree with the Liberty finding?  
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- 5 CA-NLH-012 (Reference CA-NP-149) Does Hydro agree with the response to CA-  
6 NP-149? Please clarify Hydro’s position as necessary.  
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- 8 CA-NLH-013 (Reference CA-NP-164) It is stated “*Hydro also applies*  
9 *Newfoundland Power’s CIAC Policy to its Domestic and General*  
10 *Service customers.*” Does Hydro apply Newfoundland Power’s  
11 CIAC policy to customers that are directly connected to its  
12 transmission system? Does Hydro apply Newfoundland Power’s  
13 CIAC policy to upgrades for facilities that are specifically-assigned  
14 to a customer?  
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- 16 CA-NLH-014 (Reference NLH-NP-050) It is stated “*The Company’s capital*  
17 *planning process is a deliberate effort to balance the cost and*  
18 *reliability of service provided to customers. As such, there are no*  
19 *incremental costs to customers to continue receiving current levels*  
20 *of reliability.*”  
21 a) Does Hydro incur incremental costs to maintain current levels of  
22 reliability on its distribution system? If so, why does Hydro not  
23 use the same approach as Newfoundland Power so that there is  
24 no incremental cost associated with maintaining current levels  
25 of reliability?  
26 b) Is it common knowledge in the industry that maintaining current  
27 levels of reliability results has no incremental cost? Please cite  
28 any references.  
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- 30 CA-NLH-015 (Reference PUB-NLH-003) In Hydro’s rate-mitigation talks with  
31 the provincial government has there been any consideration of  
32 eliminating the practice of automatically setting Hydro’s rate of  
33 return on equity to equal Newfoundland Power’s most recently  
34 approved rate of return on equity, as currently directed by OC2009-  
35 063? What benefits, if any, to consumers does Hydro see in  
36 continuing that policy?  
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- 38 CA-NLH-016 (Reference PUB-NP-007) It is stated “*Attachment A provides a*  
39 *calculation of the current wholesale rate, based on Hydro’s 2019*  
40 *test year revenue requirement. The Company anticipates that a new*  
41 *wholesale rate in advance of Hydro’s next general rate application*  
42 *(“GRA”) would continue to be based on Hydro’s 2019 test year*  
43 *revenue requirement. Attachment A also provides an example of a*  
44 *new wholesale rate which recovers more costs in the first block and*  
45 *less costs in the second block. This example has been provided for*

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*illustrative purposes only to demonstrate that the total revenue requirement is the same in both scenarios.”*

- a) Does Hydro agree with this statement?
- b) What are the pros and cons of the example wholesale rate provided in Attachment A?
- c) Under what process could a wholesale rate similar to the example rate in Attachment A be implemented? Could a new wholesale rate similar to this be reviewed as part of Newfoundland Power’s 2024-2025 GRA and implemented by January 1, 2025?

**DATED** at St. John’s, Newfoundland and Labrador, this 22<sup>nd</sup> day of March, 2024.

Per:  \_\_\_\_\_

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