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March 21, 2024

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

Re: Newfoundland Power Inc.'s 2025–2026 General Rate Application – Requests for Information

Please find enclosed Newfoundland and Labrador Hydro's requests for information NLH-NP-099 to NLH-NP-134 in relation to Newfoundland Power Inc.'s 2025–2026 General Rate Application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO

Shirley A. Walsh
Senior Legal Counsel, Regulatory
SAW/kd

Encl.

ecc:

Board of Commissioners of Public Utilities

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International Brotherhood of Electrical Workers, Local 1620

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Newfoundland Power Inc.

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Liam P. O'Brien, Curtis Dawe
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IN THE MATTER OF the *Public Utilities Act*, RSNL
1990, Chapter P-47, as amended (“Act”); and

IN THE MATTER OF an application by
Newfoundland Power Inc. (“Newfoundland Power”)
to establish customer electricity rates for 2025 and
2026 (“Application”).

Newfoundland and Labrador Hydro

Requests for Information

NLH-NP-099 to NLH-NP-134

March 21, 2024

1 **SECTION 1: INTRODUCTION**

2 **NLH-NP-099 Reference: NLH-NP-005**

3 Please confirm the ratio, in dollars, of Newfoundland Power’s capital spend on renewal
4 asset class to its operational spending on maintenance for each year shown in Figure 1.

5 **NLH-NP-100 Reference: NLH-NP-006**

6 What percentage of the reduction in real operating cost per customer is attributable to
7 customer growth? Assuming the same number of customers in 2013 and 2022, please
8 provide the growth rate percentage.

9 **NLH-NP-101 Reference: PUB-NP-003**

10 In its response to PUB-NP-003, Newfoundland Power states:

11 ...it is assumed that the cost recovery of \$11.8 million proposed in the
12 *2024 Rate of Return on Rate Base Application* would be recovered
13 through customer rates beginning July 1, 2025.

14 a) What is the basis for Newfoundland Power’s assumption of the cost recovery of
15 \$11.8 million in customer rates beginning July 1, 2025?

16 b) Please restate Table 1 to exclude recovery of the \$11.8 million shortfall.

17 **NLH-NP-102 Reference: CA-NP-004 and CA-NP-031**

18 Please provide samples of questions related to electricity prices and reliability used in
19 recent customer surveys that help Newfoundland Power “identify areas of concern to
20 customers, such as the cost and reliability of electricity service.”

21 **SECTION 2: CUSTOMER OPERATIONS/OPERATING COSTS**

22 **NLH-NP-103 Reference: NLH-NP-007 and NLH-NP-011**

23 In its response to NLH-NP-007, Newfoundland Power noted that technological advances
24 have meant to provide savings; however, Hydro observes that based on Figure 1 in
25 Newfoundland Power’s response to NLH-NP-011, costs have remained flat.

26 a) Why has there been no reduction in inflation-adjusted operating cost per
27 customer since 2016, given that Newfoundland Power has undertaken the
28 Application Enhancements Project described in the response to NLH-NP-007?

- 1 **iv)** Software – 21% increase.
- 2 **d)** Please articulate how retirement of assets are projected in forecast periods
- 3 from 2023 Test Year to 2026 Existing.
- 4 **e)** Please provide the value of retired assets from 2020 to 2026 Existing.

5 **SECTION 2: CUSTOMER OPERATIONS/RELIABILITY**

6 **NLH-NP-117 Reference: NLH-NP-050**

7 In its response to NLH-NP-050, Newfoundland Power states:

8 In Newfoundland Power's view, SAIFI performance is most reflective of

9 the condition of the electrical system.

- 10 **a)** Is Newfoundland Power's view that System Average Interruption Frequency
- 11 Index (“SAIFI”) performance is most reflective of the condition of the electrical
- 12 system consistent with industry best practice? Please provide any supporting
- 13 industry documentation.
- 14 **b)** If SAIFI is reflective of the condition of the electrical system, what metrics or
- 15 operational philosophies, in Newfoundland Power's view, is System Average
- 16 Interruption Duration Index reflective of?

17 **NLH-NP-118 Reference: NLH-NP-050**

18 In its response to NLH-NP-050, Newfoundland Power states:

19 In Newfoundland Power's view, better reliability performance does not

20 directly translate to higher costs; and

21 As such, there are no incremental costs to customers to continue

22 receiving current levels of reliability.

- 23 **a)** Does Newfoundland Power agree that reliability performance, as measured by
- 24 System Average Interruption Duration Index (“SAIDI”) and System Average
- 25 Interruption Frequency Index (“SAIFI”), is generally correlated with the level of
- 26 utility investment?

1 **b)** Does Newfoundland Power agree that it is generally accepted within the utility
 2 industry that SAIDI and SAIFI are generally correlated with the level of utility
 3 investment?

4 **c)** Does Newfoundland Power have any financial analysis to support the
 5 statements above made in response to NLH-NP-050? If so, please provide.

6 **NLH-NP-119 Reference: CA-NP-054**

7 In its response to CA-NP-054, Newfoundland Power states:

8 This primarily reflects the fact that national standards require
 9 Newfoundland Power's electrical system to be built to a higher standard
 10 than utilities in the Maritime Provinces.

11 Please detail how differences in design standards contribute to disparity in System
 12 Average Interruption Duration Index as opposed to System Average Interruption
 13 Frequency Index.

14 **SECTION 3: FINANCE/FAIR RETURN**

15 **NLH-NP-120 Reference: NLH-NP-062**

16 In its response to NLH-NP-062, Newfoundland Power states:

17 A fair return on equity provides the Company the ability to attract
 18 incremental capital on reasonable terms and conditions, which benefits
 19 customers.

20 **a)** Has Newfoundland Power had any difficulty to date attracting incremental
 21 capital on reasonable terms based on the current equity structure of 45% and a
 22 Return on Equity ("ROE") of 8.5%?

23 **b)** In Newfoundland Power's opinion, is the benefit to customers from
 24 Newfoundland Power's ability to attract incremental capital on reasonable
 25 terms and conditions, when compared to the costs of the rate increases
 26 associated with a higher ROE, significant enough to meet the threshold of a
 27 balance of competing interests between the utility and the consumers? Please
 28 explain.

1 **NLH-NP-121 Reference: NLH-NP-065 and PUB-NP-007, Attachment A**

2 Further to Table 1 in Newfoundland Power's response to NLH-NP-065, please restate
3 Table 1 to assume the rate structure proposed in the illustrative example within
4 Attachment A of Newfoundland Power's response to PUB-NP-007 was implemented
5 January 1, 2024.

6 **NLH-NP-122 Reference: NLH-NP-088**

7 a) In the determination of the 30-year risk free rate, a forecast of a 10-year yield
8 was used as of April 2023, a time when yields were heavily inverted, and adding
9 the historical positive spread between the 10 and 30 year yield which, in theory,
10 would result in a much higher rate. What would the 30-year risk free rate be if a
11 30-year benchmark forecast was used in the calculation during the same
12 period?

13 b) Please explain the interpretation of the lower R-square values of the monthly
14 beta in comparison to the weekly beta in Table 2?

15 c) Regarding the t-statistic for weekly and monthly beta, please provide the
16 underlying data and calculations in an excel format.

17 d) Please provide the capital structures of the North American electric proxy
18 group. Please provide the percentage of their revenues and net income derived
19 from the regulated businesses. How are adjustments being made for the
20 reduced risk of a highly regulated entity such as Newfoundland Power?

21 e) Please provide an estimate of the Canadian equity market risk premium.

22 **NLH-NP-123 Reference: PUB-NP-063**

23 Please provide the credit ratings for all comparators in Figure 19 and 33 of the Concentric
24 Report. For each utility, please identify whether the credit rating is higher or lower than
25 Newfoundland Power.

1 **SECTION 3: FINANCE/DEMAND MANAGEMENT INCENTIVE ACCOUNT**

2 **NLH-NP-124 Reference: NLH-NP-073, NLH-NP-074, and NLH-NP-075**

3 a) Please update Table 2 in Newfoundland Power’s response to NLH-NP-075 for
4 2013–2023 to include:

5 i) Test Year Demand Cost and Actual Demand Cost;

6 ii) Test Year Energy Purchases and Actual Energy Purchases;

7 iii) Test Year Billing Demand and Actual Billing Demand;

8 iv) Demand Supply Cost Variance;

9 v) Demand Management Incentive (“DMI”) threshold (show the threshold
10 as a positive or negative impact on net income); and

11 vi) Amount credited or charged to customers through the DMI Account.

12 b) Does the current operation of the DMI Account provide an incentive for
13 Newfoundland Power to undertake reasonable initiatives to minimize peak
14 demand?

15 c) Would Newfoundland Power support a change to its DMI Account to specifically
16 incentivize the company to meet or exceed demand management activities
17 within its control such as voltage management, customer curtailment, and
18 Conservation and Demand Management activities? Why or why not?

19 **SECTION 4: RATE BASE AND REVENUE REQUIREMENT**

20 **NLH-NP-125 Reference: NLH-NP-078**

21 Please update the rate increases provided to reflect a Newfoundland Power Return on
22 Equity of:

23 i) 8.75%; and

24 ii) 9.0%.

25 **NLH-NP-126 Reference: NLH-NP-080**

26 As per Table 1 in the response to NLH-NP-080, Newfoundland Power will save
27 \$3.088 million and \$9.391 million in purchased power costs due to lower purchases

1 associated with elasticity impacts. As per Appendix C of the Customer, Energy and
2 Demand Report, elasticity is reducing demand from 1,338.74 MW to 1,334.811 MW in
3 2025, and 1,336.847 MW to 1,325.188 MW in 2026. As per Table 1, the reduction in
4 purchased power costs are calculated using the tail block energy rate only.

5 Please explain why the reduction in demand is not factored in the reduced power supply
6 cost of \$9.391 million as shown in Exhibit 7.

7 **NLH-NP-127 Reference: NLH-NP-081**

8 In the response to NLH-NP-081, Newfoundland Power indicated that their rate increase
9 would be 9.5% if their purchased power costs were rebased and new elasticity impacts
10 were incorporated. This is a 0.3% decrease from the 9.8% originally presented in Scenario
11 B, when the rebased revenue requirement contained elasticity impacts relating to a 5.5%
12 rate increase.

13 a) Please confirm that if Newfoundland Power's costs were to be rebased and it
14 needed to propose a higher rate increase, Newfoundland Power would not ask
15 for additional revenue in their elasticity adjustment beyond the amounts
16 provided in Exhibit 9 of the 2025/2026 General Rate Application.

17 b) If Newfoundland Power is unable to confirm, then how much additional revenue
18 would Newfoundland Power request to add to their revenue elasticity
19 adjustment?

20 **SECTION 5: CUSTOMER RATES**

21 **NLH-NP-128 Reference: PUB-NP-083, Footnote 9**

22 Please breakdown the estimated revenue requirement which demonstrates the
23 \$10 million shortfall of costs included in footnote 9.

24 **NLH-NP-129 Reference: CA-NP-102, Attachment A**

25 Please append the Return on Rate Base for 2025PF and 2026PF within Attachment A.

1 **VOLUME 2: COST OF SERVICE**

2 **NLH-NP-130 Reference: NLH-NP-084**

3 Please provide a calculation of the 8.36% Return on Rate Base and how it was used in
4 determining the required rate change.

5 **VOLUME 2: CUSTOMER, ENERGY AND DEMAND FORECAST**

6 **NLH-NP-131 Reference: NLH-NP-002, and PUB-NP-097**

7 a) In reference to Table 3 in Newfoundland Power's response to PUB-NP-097,
8 please provide the forecast demand impact per customer by year. How does
9 this forecast demand impact compare to Newfoundland Power's average
10 domestic customer diversified peak demand?

11 b) Please provide the data in Table 1 of Newfoundland Power's response to
12 NLH-NP-002 by customer class.

13 **NLH-NP-132 Reference: CA-NP-140**

14 What does Newfoundland Power consider to be "rate shock" for customers?

15 **VOLUME 2: COST OF CAPITAL REPORT**

16 **NLH-NP-133 Reference: NLH-NP-085 and PUB-NP-124**

17 a) Are the companies listed in Figure 33 of Newfoundland Power's response to
18 PUB-NP-124 also competing in the same markets for investment that
19 Newfoundland Power is? Why or why not?

20 b) Where are Newfoundland Power's five primary investors located?

21 **NLH-NP-134 Reference: NLH-NP-089 and PUB-NP-070**

22 In request for information NLH-NP-089, part b) Newfoundland and Labrador Hydro asked
23 if there are any storm-related costs built into Newfoundland Power's 2025/2026 Test Year
24 forecast. Newfoundland Power replied by referring to its response to PUB-NP-070, but
25 that response does not address the test year forecasts. Please identify the specific
26 amounts included within the 2025 Test Year and 2026 Test Year forecasts that are related
27 to storm events.

DATED at St. John's, in the province of Newfoundland and Labrador this 21st day of March, 2024.



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