



**Senwung Luk**  
sluk@oktlaw.com  
416.981.9443  
73295

April 24, 2018

**SENT VIA E-MAIL**

Cheryl Blundon  
Board Secretary  
Board of Commissioners of Public Utilities  
P.O. Box 21040, St. John's, NL A1A 5B2

Dear Ms Blundon:

**Re: RFI's of the Labrador Interconnected Group in NLH GRA 2017, LAB-NLH-086 to LAB-NLH-090**

On behalf of the Labrador Interconnected Group, we have posed the attached requests for information ("RFI"), numbered LAB-NLH-086 to LAB-NLH-090. We are pleased to serve them on you.

We trust you find the foregoing satisfactory. Please be in touch should you have any questions or concerns.

Yours truly,  
Olthuis Kleer Townshend LLP

Senwung Luk

SL/tm

- c. Newfoundland and Labrador Hydro (gyoung@nlh.nl.ca; alex.templeton@mcinnescooper.com; NLHRegulatory@nlh.nl.ca)  
Newfoundland Power (ghayes@newfoundlandpower.com; lobrien@curtisdawe.nf.ca; regulatory@newfoundlandpower.com)  
Consumer Advocate (dbrowne@bfma-law.com; sfitzgerald@bfma-law.com; bbailey@bfma-law.com; sarahfitzgerald@bfma-law.com)  
Industrial Customer Group (pcoxworthy@stewartmckelvey.com; dporter@poolealthouse.ca; dfleming@coxandpalmer.com)  
Iron Ore Company of Canada (van.alexopoulos@ironore.ca; benoit.pepin@riotinto.com)

**IN THE MATTER OF** the *Public Utilities Act*, RSN 1990, Chapter P-46 (the “Act”); and

**IN THE MATTER OF** a General Rate Application (the “Application”) by Newfoundland and Labrador Hydro (the “Applicant”) 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 Individual Customers; and under Section 71 of the Act, changes in the Rules and Regulations applicable to the supply of electricity to Rural Customers.

---

**Requests for Information**  
**by the Labrador Interconnected Group**  
**LAB-NLH-86 to LAB-NLH-90**

**April 24, 2018**

---

1 **Requests for Information**

2

3 **LAB-NLH-86 Re: 2018 Utility Customer Interim Rates Application**

- 4 a) Please confirm that, except as specified in the 2018 Utility Customer Interim Rates  
5 Application dated April 13, 2018, the proposed interim rates rely on the cost of service  
6 studies includes as Exhibits 14 and 15 of the 2017 GRA, last revised on Nov. 27, 2017.
- 7 b) Please confirm that, except as specified in the 2018 Utility Customer Interim Rates  
8 Application dated April 13, 2018, the proposed interim rates rely on the expenses and  
9 capital costs detailed in said cost of service study.
- 10

11 **LAB-NLH-87 Re: 2018 Utility Customer Interim Rates Application; GRA, Exhibit 14,**  
12 **Schedule 1.1, page 1 of 2; Re: LAB-NLH-085, rev. 1 (page 3 of 4)**

13 Citation: LAB-NLH-085, rev. 1 (page 3 of 4)

14 Hydro forecasts the annual charges to Hydro based on the approved Network  
15 Service tariffs to be \$69.1 million in 2018 and \$98.7 million in 2019.

16 Preamble:

17 Exhibit 14, Schedule 1.1 indicates that Hydro's total expenses for 2018, net of  
18 expense credits, equal \$543,396,001 (row 22, col. 2).

19 Exhibit 14, Schedule 1.1 indicates that Hydro's expenses for the Labrador  
20 Interconnected System for 2018, net of expense credits, equal \$17,441,212  
21 (row 22, col. 7).

22 This schedule does not include a line item for payment of the NLSO  
23 transmission tariff.

24

- 25 a) Have the expense categories of Schedule 1.1 of Exhibits 14 and 15 have not been updated  
26 in the Utility Customer Interim Rate Application? If it has, please indicate where.
- 27 b) Please indicate whether or not Hydro's expenses (net of expense credits) shown in  
28 Schedule 1.1 include the payment of the NLSO transmission tariff, estimated at \$69.1  
29 million in 2018.
- 30 c) If not, please explain why these expenses are not included in the cost of service study.
- 31
- 32 d) Please indicate how the values of \$69.1 million for 2018 and \$98.7 million for 2019 were  
33 calculated, and provide detailed worksheets in support of these values.
- 34

1  
2  
3 **LAB-NLH-88 Re: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1**  
4 **(page 4 of 4)**

5 Citation:

6 Q. f): Please indicate where in the Additional Cost of Service Information for  
7 the Deferral Account Scenario and/or the Expected Supply Scenario the  
8 amounts to be paid to NLSO for Network Integration Transmission Service are  
9 found or, if they are not included therein, why not.

10 A. f) The 230 kV transmission asset costs reflected in the approved  
11 transmission tariffs reflect a subset of the total costs provided in Hydro's Test  
12 Year revenue requirements in its GRA.

13 Preamble:

14 Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average  
15 Net Book Value of Hydro's Rate Base (row 1, column 2), at 2,068,791, 061 for  
16 2018.

17 Schedule 1.1, page 2 of 2 of the Cost of Service study indicates the Average  
18 Net Book Value of Hydro's Rate Base for the Labrador Interconnected System  
19 (row 1, column 7), at \$115,413,976 for 2018.

- 20
- 21 a) Has the evaluation of Average Net Book Value of Hydro's Rate Base in Schedule 1.1 of  
22 Exhibits 14 and 15 been updated in the Utility Customer Interim Rate Application? If it  
23 has, please indicate where. If not, why not?
- 24 b) Please indicate what portion of the Net Book Value of Hydro's rate base represents  
25 transmission assets of 230 kV or greater.
- 26 c) Please indicate what portion of the Net Book Value of Hydro's rate base in Labrador  
27 represents transmission assets of 230 kV or greater.
- 28 d) Please indicate whether the assets mentioned in response to subrequests b) and c) are still  
29 part of Hydro's rate base, or whether they are now part of NLSO's rate base.
- 30 e) Please indicate whether the capital costs associated with transmission assets of 230kV or  
31 greater are included in calculating the Return on Rate Base in Hydro's Cost of Service  
32 studies?
- 33 f) If they are, please explain how the same assets can be part of both Hydro's rate base and  
34 that of the NLSO.

35

36

1 **LAB-NLH-89 Re: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1**  
2 **(page 2 of 4)**

3 Citation 1:

4 a) ...

5 The payment of the Network Service rate will provide recovery of the revenue  
6 requirement related to the 230 kV common transmission assets to the NLSO.  
7 However, as the NLSO does not own the transmission assets, the NLSO is  
8 required to distribute transmission tariff revenues to the entities whose  
9 transmission costs are the basis for the tariffs. As Hydro is effectively incurring  
10 all the transmission costs reflected in the Network Service rate, Hydro will be  
11 reimbursed its Network Service rate charges through the disbursement of  
12 Network Service rate revenues from the NLSO.

13 Citation 2 (Pro Forma Service Agreement for Network Integration Transmission Service, Section  
14 E, page 11 of 84) (page 121 of pdf of NLSO Interim Rates Application, filed on Feb. 5, 2018)

15 **“Multi-Party Pooling Agreement” or “MPPA”** means the agreement, first  
16 executed on April 13, 2015, which provides for the pooling of certain bulk  
17 transmission facilities within NL under the operational control of the NLSO for  
18 the purposes of providing open access and non-discriminatory Transmission  
19 Service;

20 a) Does the “distribut[ion of] transmission tariff revenues to the entities whose transmission  
21 costs are the basis for the tariffs” result in a distribution to Hydro? If so, is this distribution  
22 identified anywhere in the Utility Customer Interim Rate Application? If not, why not?

23 b) Are NLSO’s payments to transmission owners governed by the MPPA? If so, please provide  
24 a copy of the MPPA in force between Hydro and the NLSO.

25 c) If not, please explain the mechanism by which the NLSO will distribute transmission tariff  
26 revenues to the entities whose transmission costs are the basis for the tariffs, and provide  
27 copies of the relevant documents concerning Hydro.

28 d) Please indicate the forecast amounts of the payments from the NLSO to Hydro as  
29 transmission owner for 2018 and 2019. Please specify how these payments are broken down  
30 as between payments arising from revenue from Newfoundland Power as a utility customer  
31 versus payments arising from revenue from Hydro’s own customers (including Labrador  
32 customers).

33 e) Please explain in detail how the payments from the NLSO to Hydro as transmission owner  
34 are calculated, and provide detailed worksheets.

35

36

1 **LAB-NLH-90 Re: 2018 Utility Customer Interim Rates Application; LAB-NLH-085, rev. 1**  
2 **(page 2 of 4)**

3 Citation:

4 a) Hydro, as a transmission customer, will pay the approved transmission tariff  
5 to the Newfoundland and Labrador System Operator (NLSO), which includes  
6 the costs of the Labrador-Island Link (LIL) and the Labrador Transmission  
7 Assets (LTA) when Hydro begins to receive service over the LIL, however,  
8 transmission tariff charges that apply to Hydro as a result of the implementation  
9 of the Network Integration Transmission Service (Network Service) rate will not  
10 increase the revenue requirement to be recovered from Hydro's Native Load  
11 customers.

12 Preamble:

13 It appears that the reasoning underlying Hydro's statement that the NITS  
14 transmission charges will not increase the revenue requirement is because it is  
15 assumed that they will be precisely counterbalanced by a reduction in the  
16 capital costs related to for transmission assets of 230kV and greater, which are  
17 removed from Hydro's rate base and transferred to the NLSO rate base.

- 18 a) Please confirm or correct the statement in the Preamble.
- 19 b) Please explain the basis for Hydro's assumption that the reduction of capital costs will  
20 precisely equal the transmission tariff expense.
- 21 c) Please confirm whether this precise counterbalance is reflected in the Utility Customer  
22 Interim Rates Application.