

June 2, 2014

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 – Second application for the interim approval of customer electricity rates for 2014

In relation to the above-captioned matter, please find enclosed one (1) original and twelve (12) copies of the Consumer Advocate's Requests for Information numbered SIR-CA-NLH-01 to SIR-CA-NLH-07.

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
THOMAS JOHNSON

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

Aird & Berlis, LLP
Brookfield Place, 181 Bay Street
Suite 1800, Box 754
Toronto, ON M5J 2J9
Attention: Mr. Fred Cass



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.

Island Industrial Customers Group
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: Senwung Luk

House of Commons
Confederation Building, Room 682
Ottawa, ON K1A 0A6
Attention: Yvonne Jones, MP Labrador/Christian von Donat

IN THE MATTER OF
the *Electrical Power Control Act, 1994*, RSNL
1994, Chapter E-5.1 (the "EPCA") and the
Public Utilities Act, RSNL 1990, Chapter P-47
(the "Act"), and regulations thereunder;

AND

IN THE MATTER OF
a second Application by Newfoundland and
Labrador Hydro, pursuant to Sections 70 and 75
of the Act, for the interim approval of customer
electricity rates for 2014 pursuant to Order No.
P.U. 13(2014) (the "Application").

**CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
SIR-CA-NLH-1 to SIR-CA-NLH-7**

Issued: June 2, 2014

1 SIR-CA-NLH-1 (page 2, Footnote 4 of Second Interim Rates Application Evidence)
2 The footnote references two Hydro applications for approval of: 1)
3 a 100 MW combustion turbine, and 2) a new transmission line
4 from Bay D'Espoir to Western Avalon. If the Board does not
5 approve the Second Interim Rates Application, will Hydro be able
6 to raise the capital needed to proceed with these projects? If not,
7 please explain why not and provide supporting documentation.
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10 SIR-CA-NLH-2 (pages 3 to 4 of Second Interim Rates Application Evidence) The
11 evidence highlights a number of costs that are not reflected in the
12 GRA, including CBPP purchases, gas turbine and diesel fuel costs,
13 consulting and legal costs relating to the Outage Inquiry, the cost
14 of Holyrood black start facilities, and costs to implement the
15 recommendations of Liberty Consulting and the Board relating to
16 the Outage Inquiry. What is the estimated impact of these costs on
17 rates and given that they are not being recovered in the GRA or the
18 Second Interim Rates Application, how does Hydro intend to
19 recover these costs? For example, is Hydro planning to update its
20 GRA submission?
21

22 SIR-CA-NLH-3 (page 5 of Second Interim Rates Application Evidence) The
23 evidence states (page 5, lines 6 to 8) *“The Board has the option to*
24 *wait until the conclusion of the GRA to determine the exact amount*
25 *of the 2014 net income shortfall and approve a recovery approach*
26 *at that time. Hydro does not believe this is a reasonable*
27 *approach”*. Further, the evidence states (page 5, lines 10 to 14)
28 *“From Hydro’s perspective, dealing with the forecast net income*
29 *shortfall in advance of completion of the GRA process will enable*
30 *Hydro to forecast reasonable cost recovery in 2014 and provide*
31 *more certainty to lenders and other stakeholders that it will have*

an opportunity to earn a reasonable return in 2014". Please provide further details and examples of how an interim rates order will enable Hydro to forecast a reasonable cost recovery in 2014 and provide more certainty to lenders relative to waiting for a Board order approving final rates later in 2014. For example, how would an interim rates order approved by the Board in July 2014 provide more certainty to lenders when final rates approved by a Board Order on the 2013 GRA in November 2014 could be quite different?

10

11 SIR-CA-NLH-4 (page 5, lines 15 to 17 of Second Interim Rates Application
12 Evidence) The evidence states "*The current forecast of net income*
13 *loss in 2014 (based upon existing rates) combined with the*
14 *uncertainty of whether a final rate order will be issued prior to*
15 *year-end creates uncertainty of Hydro's opportunity to earn a*
16 *reasonable return in 2014*". Would this uncertainty be alleviated if
17 the Board were to provide assurance that it will issue a final rate
18 order prior to year-end?

19

20 SIR-CA-NLH-5 (page 7 of Second Interim Rates Application Evidence) The
21 evidence states (page 7, lines 14 to 16) "*Hydro proposes that the*
22 *Board approve on an interim basis that \$29.4 million of the RSP*
23 *credit balance in the Hydraulic component be provided to Hydro*
24 *to record as revenue in 2014*". The evidence goes on to say (page
25 7, lines 17 to 18) "*The actual amount of the 2014 shortfall will be*
26 *determined upon the establishment of final 2014 rates by the*
27 *Board. The method of recovery will be subject to approval of the*
28 *Board*". Please provide further details on Hydro's proposal and
29 how it provides more certainty to investors. For example, is Hydro
30 proposing that the Board approve a loan of \$29.4 million of the
31 customers' money to Hydro, and if so, under what terms and

conditions; i.e., interest rate, term, etc?

3 SIR-CA-NLH-6 (page 7, Footnote 23 of Second Interim Rates Application
4 Evidence) The footnote states "*A portion of the shortfall may be*
5 *allocated for recovery from customers on the Labrador*
6 *Interconnected System. As these customers have not contributed to*
7 *the credit balance in the RSP, an amortization in the 2013 Test*
8 *Year revenue requirement may be required for recovery in this*
9 *circumstance*". Specifically, what is Hydro proposing with respect
10 to cost recovery of any shortfall from Labrador Interconnected
11 customers? Are there other customers on the system who may be
12 responsible for paying a portion of the shortfall, and if so, how
13 does Hydro propose to recover costs from these customers?

15 SIR-CA-NLH-7 (page 12, lines 1 to 3 of Second Interim Rates Application
16 Evidence) The evidence states "*The IC rate phase-in proposal*
17 *under interim rates is in accordance with the Government*
18 *directives and provides recovery of costs from IC while giving*
19 *reasonable consideration to customer impacts*". Can the Board in
20 its Order on the 2013 GRA establish IC rates in accordance with
21 the Government directives without approval of the Second Interim
22 Rates Application? If not, why not? Alternatively, can the Board in
23 its Order on the Second Interim Rates Application address only the
24 component of the Application relating to establishing IC rates in
25 accordance with the Government directives?

28 Dated at St. John's in the Province of Newfoundland and Labrador, this 2nd day of June,
29 2014.

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