

June 27, 2014

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

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

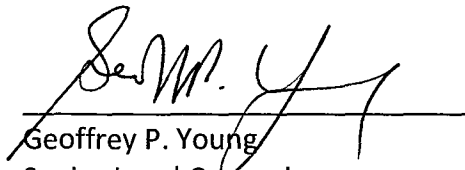
**Re: Newfoundland and Labrador Hydro – 2013 Second Interim Rates Application
Requests for Information to Newfoundland Power**

Enclosed please find an original plus 12 copies of Requests for Information by Hydro to Newfoundland Power, SIR-NLH-NP-001 through SIR-NLH-NP-016, with regard to the above-noted application.

Should you have any questions, please contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



Geoffrey P. Young
Senior Legal Counsel

GPY/cp

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. – Cox & Palmer
Senwung Luk – Olthuis, Kleer, Townshend LLP

Thomas Johnson – Consumer Advocate
Yvonne Jones, MP Labrador
Ed Hearn, Q.C. – Miller & Hearn

IN THE MATTER OF

the *Electrical Power Control Act, 1994*,
SNL 1994, Chapter E-5.1 (the “EPCA”)
and the *Public Utilities Act, RSNL 1990*,
Chapter P-47 (the “Act”), as amended; and

AND IN THE MATTER OF an application
by Newfoundland and Labrador Hydro for
the approval of customer electricity rates for
2014 on an interim basis.

Requests for Information

From Newfoundland and Labrador Hydro

(NLH 2013 Second Interim Rates Application)

Newfoundland and Labrador Hydro, Applicant

June 27, 2014

Newfoundland and Labrador Hydro ("Hydro") 2013 Second Interim Rates Application

Request for Information from Hydro To Newfoundland Power

- SIR-NLH-NP-001 Please confirm that, in Order No. P.U. 40(2005), the Board approved Newfoundland Power's proposal to recognize for regulatory purposes \$3,086,000 of 2005 Unbilled Revenue in 2006 to offset income tax effects resulting from the CRA tax settlement.
- SIR-NLH-NP-002 Please confirm that, in Order No. P.U. 40(2005), the Board approved deferred recovery of an increase in 2006 depreciation expense of \$5,793,000 in 2006 related to the conclusion of the amortization of the depreciation true-up approved in its previous GRA.
- SIR-NLH-NP-003 Please confirm that in approving the revenue recognition and deferred recovery for 2006 in Order No. P.U. 40(2005), the Board did not fully test Newfoundland Power's forecast costs for 2006. If confirmed, please explain why this approach was appropriate.
- SIR-NLH-NP-004 Please confirm that the approval of revenue recognition and deferred recovery for 2006 in Order No. P.U. 40(2005) was made on a final basis and not on an interim basis. If confirmed, please explain why approval on a final basis was appropriate given Newfoundland Power's 2006 costs were not tested to determine the appropriate revenue requirement for 2006.
- SIR-NLH-NP-005 The evidence provided in Hydro's Second Interim Rate Application shows a forecast return on equity of 1.1% under the existing rates that are now anticipated to be in effect for all of 2014. Does Newfoundland Power

believe 1.1% provides a reasonable return on equity for an electric utility?

- SIR-NLH-NP-006 Hydro's amended application to be filed in the fall of 2014 will include forecast 2014 Test Year revenue requirement and 2015 Test Year revenue requirement for use by the Board in approving final customer rates. Given no customer rate changes are proposed for 2014 and customer rates for 2015 will be based on tested costs upon conclusion of the GRA, please identify any disadvantages to the customers of Newfoundland Power that will result from the Board approving Hydro's Second Interim Rate Application.
- SIR-NLH-NP-007 Does Newfoundland Power believe the board has the authority to approve Hydro's Second Interim Rates Application?
- SIR-NLH-NP-008 Assume the Board approved Hydro's Second Interim Rates Application, with respect to the proposed revenue recognition, and in 2015 determined that additional 2014 revenue requirement above that approved on an interim basis should also be provided to Hydro. Does Newfoundland Power believe the Board has the authority to approve recovery of the additional 2014 revenue requirement not yet recognized as revenue in 2014? Please explain the reasons for your response.
- SIR-NLH-NP-009 In Mr. Larry Brockman's evidence filed in Hydro's 2006 GRA with respect to the credit balance in the RSP Hydraulic component, he stated on page 23, "From an intergenerational equity perspective it is desirable to clear this credit balance in as short a time frame as reasonable without creating rate volatility."

The RSP Hydraulic component credit balance as of the end of April 2014 is approximately \$75 million. Does Mr. Brockman believe it is preferable to use this credit balance to offset the 2014 net income shortfall to be determined by the Board or to allow the credit balance to remain in the RSP and have the Board approve higher base rates for 2015 that reflect a three-year recovery of the 2014 net income shortfall. Please provide the reasons for your response.

SIR-NLH-NP-010 Please confirm the Board approved on a final basis a cost deferral account to be charged with the full amount of the difference in 2012 revenue between an 8.38% return on common equity and an 8.80% return on common equity calculated on the basis of 2010 test year costs. If confirmed, please explain why it was appropriate that this cost deferral be approved on a final basis without a full testing of Newfoundland Power's costs in 2012.

SIR-NLH-NP-011 The GRA evidentiary record shows that Hydro's increased 2013 Test Year revenue requirement due to the increased return on equity in compliance with the Government directive is approximately \$21 million (see response to PUB-NLH-056).

Does Newfoundland Power believe it would be reasonable for the Board to approve on an interim basis, until 2014 costs are fully tested in 2015, a cost deferral account for Hydro to be charged with the full amount of the difference in 2014 revenue between the 2007 Test Year approved return on equity and the 2013 Test Year return on equity in accordance with the Government directive? If no, please explain why?

SIR-NLH-NP-012 Please confirm the Board has approved the recovery of employee future benefit cost variances between test years through Newfoundland Power's Rate Stabilization Account. If confirmed, please explain why the cost recovery of variances in employee future benefit costs between test years is appropriate.

SIR-NLH-NP-013 Hydro's 2014 forecast employee future benefit costs are approximately \$3.5 million higher than included in the 2007 Test Year, mainly due to the decrease in the discount rate.

Does Newfoundland Power believe it would be reasonable for the Board to approve on an interim basis, until 2014 costs are fully tested in 2015, a cost deferral account for Hydro to be charged with full amount of the difference in 2014 revenue between the 2007 Test Year approved employee future benefit costs and the 2014 forecast employee future benefit costs? If no, please explain why?

SIR-NLH-NP-014 In Order No. P.U. 29(2012), the Board approved that Hydro recognize and record asset retirement obligations (AROs). The 2014 cost impact of this accounting change between test years is approximately \$3.1 million (see GRA response to NP-NLH-091).

Does Newfoundland Power believe it would be reasonable for the Board to approve on an interim basis, until 2014 costs are fully tested in 2015, a cost deferral account for Hydro to be charged with full amount of the additional costs of AROs in 2014 as a result of compliance with the Board order? If no, please explain why?

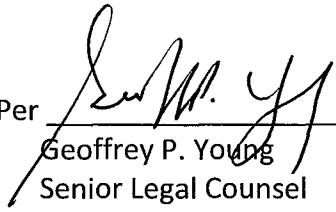
- SIR-NLH-NP-015 What would Newfoundland Power propose as an effective means to provide appropriate interim relief to Hydro given the expectation there will be no final order before 2015?
- SIR-NLH-NP-016 In its Order No. P.U. 17 (2012) dated June 15th, 2012 related to an application by NP for approval of a just and reasonable return on rate base for 2012, the Board approved the deferred recovery of the difference between the then existing return on common equity of 8.38% and the proposed 8.80% return on common equity for 2012. The recovery of the additional revenue requirement for 2012 was deferred and, in Order No. P.U. 13 (2013), approved for recovery over three years.
- In its GRA filing on September 14, 2012, NP requested that the Board approve the implementation of a deferral and recovery mechanism whereby NP would be able to earn its full 2013 revenue commencing January 1, 2013. In its application NP applied for the recovery, over a three year period, of a forecast 2013 revenue shortfall that would effectively achieve a rate implementation of January 1, 2013 as rates were forecast to be implemented March 1, 2013. In Order No. P.U. 13 (2013), the Board approved the deferral and recovery of a higher deferral amount which resulted from a change in rate implementation from the assumed date of March 1, 2013 in the September 2012 GRA filing to the actual rate implementation date of July 1, 2013.
- As described above, NP's most recent GRA included approval of two separate deferral and recovery amounts related to approval of just and reasonable returns for NP in both 2012 and 2013. What is NP's opinion on the considerations the Board should use in applying these precedents

in its ruling on Hydro's request for a just and reasonable return in 2014.
Please describe in detail.

DATED at St. John's, Newfoundland this 27th day of June, 2014.

NEWFOUNDLAND AND LABRADOR HYDRO

Per



Geoffrey P. Young
Senior Legal Counsel