O'DEA EARLE

September 23, 2013

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's 2013 General Rate Application

Please find enclosed the original and twelve (12) copies of the Consumer Advocate's Requests for Information numbered CA-NLH-01 to CA-NLH-151 in relation to the above noted Application.

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

Newfoundland Power
P.O. Box 8910
55 Kenmount Road
St. John's, NL A1B 3P6
Attention: Gerard Hayes, Senior Legal Counsel

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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.

Corner Brook Pulp & Paper Limited,
North Atlantic Refining Limited
and Teck Resources Limited
Attention: Paul Coxworthy/Dean Porter

Miller & Hearn
PO Box 129
450 Avalon Drive
Labrador City, NL A2V 2K3
Attention: Ed Hearn, Q.C.

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229 College Street
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Attention: Nancy Kleer

House of Commons
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Attention: Yvonne Jones, MP
Labrador

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IN **THE MATTER OF**
the *Public Utilities Act,* R.S.N. 1990,
Chapter P-47 (the *"Act"*);

AND

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

CONSUMER ADVOCATE
REQUESTS FOR INFORMATION
CA-NLH-01 to CA-NLH-151

Issued: September 23, 2013

General

CA-NLH-1 Please provide a table summarizing all directives issued by the Board to Hydro relating to the last GRA and indicate if the directive has been addressed, and if so, provide the reference. If a directive has not been addressed, please explain why.

CA-NLH-2 Please provide the reasons for waiting seven years to file this GRA? Does Hydro believe that filing a GRA at this time is consistent with regulatory efficiency?

CA-NLH-3 Please provide a list of the incentive mechanisms incorporated in the rate regime proposed in this GRA for Hydro to perform in the best interests of consumers. Identify all risks in the proposed rate regime and indicate if the risk is being taken on by Hydro or consumers.

Proposed Order

CA-NLH-4 (Proposed Order, page 3, clause 15)
Please provide a table showing average rates in cents/kWh for each customer class on the Labrador Interconnected System, and for the Labrador Interconnected System as a whole, in each year from 2006 through to the proposed rates for 2014. Please file for the record a copy of Order No. P.U. 33 (2010).

Schedule A

CA-NLH-5 (Schedule A)
Please provide a copy of the CBPP Service Agreement with the proposed changes from the currently-approved version highlighted.

Rate Schedules

CA-NLH-6 (Rate Schedules)
Please file a table comparing current rates to proposed rates and percentage rate increase/decrease by rate component (i.e., customer, capacity and energy) for each customer class served by Hydro.

CA-NLH-7 (Rate Schedules)
Please file a table comparing average current rates in cents/kWh to average proposed rates and showing the percentage increase proposed for each customer class.

CA-NLH-8 (Rate Schedules, Rules and Regulations, pages 22 to 35 of 47)
Please provide a copy of the Rules and Regulations with changes from the currently-approved version highlighted.

Evidence Introduction

CA-NLH-9 (Evidence Introduction page 1.1, lines 16 to 18)
Please provide the calculation for the cost savings and greenhouse gas reductions resulting from these renewable energy initiatives for 2013, and provide a forecast of these savings/reductions over the next five years.

CA-NLH-10 (Evidence Introduction page 1.15, lines 1 to 3)
Please show how the RSP has reduced short-term volatility in rates. Provide a table showing for NP and each IC for each year the RSP has been in existence the base rate, the RSP rate adjustment, the total rate and the year-over-year change in the total rate. Show

average rates in cents/kWh.

CA-NLH-11 (Evidence Introduction page 1.15, lines 1 to 3)
Please provide the same table requested in the previous RFI, but assuming the load variation component of the RSP was allocated on the basis of load ratio share as proposed by Hydro.

Regulated Activities Evidence

CA-NLH-12 (Regulated Activities Evidence page 2.4, lines 8 to 11)
What is the basis for the 4 cents/kWh purchase price and what has Hydro assumed regarding availability of these purchases and price beyond the effective date of June 30, 2014?

CA-NLH-13 (Regulated Activities Evidence page 2.4, lines 8 to 11)
How does the 4 cents/kWh purchase price compare to the cost of power from Hydro's own hydro generation facilities?

CA-NLH-14 (Regulated Activities Evidence page 2.5, Table 2.2)
Are there capacity savings associated with the CDM programs as well? What is the value of the capacity and energy savings in terms of Dollars and greenhouse gas emissions in 2013, and forecast over the next 5 years?

CA-NLH-15 (Regulated Activities Evidence page 2.11, lines 4 to 10)
Is it common in the industry to rank transmission system performance on the basis of one year when a single transmission outage has such a significant impact on results? Would it be more informative to use a 5-year rolling average similar to what Hydro has used for historical comparison purposes? Please provide a comparison of transmission reliability performance in recent years

on this basis.

CA-NLH-16 (Regulated Activities Evidence page 2.12, Chart 2.3)
Does Hydro believe the reliability improvements in transmission, distribution and generation are an anomaly, or does Hydro believe them to have a level of permanence?

CA-NLH-17 (Regulated Activities Evidence page 2.12, Chart 2.3)
Does Hydro forecast continued improvement in reliability performance going forward in light of its aging asset base and number of experienced employees reaching retirement age?

CA-NLH-18 (Regulated Activities Evidence page 2.12, Chart 2.3)
Is Hydro pursuing programs to improve reliability going forward, and if so, what is the benefit to cost ratio of each program? Please identify each of Hydro's reliability improvement programs going forward, its costs, and the estimated benefits in terms of improved reliability and the value customers place on reliability.

CA-NLH-19 (Regulated Activities Evidence page 2.16, lines 4 to 14)
Please provide a table showing for each year from 2013 through 2020 the number of hours Holyrood is forecast to be producing energy (exclude voltage support requirements) and the total amount of energy forecast to be produced by Holyrood.

CA-NLH-20 (Regulated Activities Evidence page 2.36, lines 16 to 17)
When is Praxair expected to start taking power and how much power is Praxair expected to consume in 2013?

CA-NLH-21 (Regulated Activities Evidence page 2.41, lines 13 to 15)
Does Hydro apply full capacity credit to the wind farms; i.e., is the

full rated capacity of the wind farms expected to be available during the system peak period?

CA-NLH-22 (Regulated Activities Evidence page 2.42, Table 2.17)
According to this table, Hydro will fall short of its capacity reliability target in 2015 and its energy reliability target in 2019. Please file a copy of Hydro's least cost integrated resource plan for alleviating these shortfalls, and show Table 2.17 with the plan incorporated.

CA-NLH-23 (Finance Evidence page 3.2, lines 17 to 24)
What is the impact on proposed rates of the Exploits generation initiative, both in total dollars and percentage terms?

Finance Evidence

CA-NLH-24 (Finance Evidence page 3.3, lines 13 to 22)
Please provide a complete list of Government directives (i.e., not only those related to Finance) that are to be taken into account by the Board in this Application. Please include the source and a reference in the Application where appropriate and file a copy of each Government directive that has not been filed with this Application.

CA-NLH-25 (Finance Evidence page 3.6, lines 22 to 24)
Hydro is proposing an increase in its return on equity from 4.47% to 8.8%. Please provide a list of all risks that Hydro proposes to take on in return for this increase in ROE. Provide an additional list of all risks that Hydro is proposing to transfer to customers in this GRA.

Rates and Regulation Evidence

CA-NLH-26 (Rates and Regulation Evidence page 4.4, Table 4.1)
What would the NP rate be if the capacity charge were left unchanged at $4/kW/month and the remainder of the revenue requirement were recovered in the tail block energy charge? Assume the first block quantity and charge are as proposed.

CA-NLH-27 (Rates and Regulation Evidence page 4.4, lines 3 to 4)
It is proposed that the NP rate recover 114% of costs derived in the 2013 cost of service study including allocated rural deficit. If approved, what percentage of costs will NP's domestic customers be paying considering the current revenue to cost ratio established for this class by NP; i.e., 95%?

CA-NLH-28 (Rates and Regulation Evidence page 4.5, lines 4 to 8)
Please point to the area of Exhibit 9 where Lummus recommends that NP's curtailable load not be treated as a generation credit at this time.

CA-NLH-29 (Rates and Regulation Evidence page 4.6, lines 17 to 18)
Is there a possibility that a wheeling rate may be required in future for another customer?

CA-NLH-30 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
Did Hydro "know" its marginal costs at the 2006 GRA? Does any utility "know" its marginal costs given that they are based on forecasts?

CA-NLH-31 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
Since Hydro does not "know" its marginal costs, on what basis are

new CDM programs evaluated and how does Hydro decide if existing CDM programs should be continued?

CA-NLH-32 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
Please explain why Hydro is proposing to continue with the two-block energy rate structure for NP when it believes it is appropriate to abandon the IC two block rate structure agreed to in the IC Rate Review?

CA-NLH-33 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
Please provide updated marginal costs based on the methodology outlined in NERA's May 2006 marginal cost study documented in the report entitled *Newfoundland and Labrador Hydro Marginal Costs of Generation and Transmission* and the July 2006 report entitled *Implications of Marginal Cost Results for Class Revenue Allocation and Rate Design.* Please identify marginal costs for the two scenarios with and without the Labrador Interconnection/Muskrat Falls project. Please file copies of the NERA reports for the record.

CA-NLH-34 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
Did Hydro and Lummus take into consideration the marginal costs derived in the NERA reports identified in the previous RFI? If so, please explain how, and if not, please explain why not.

CA-NLH-35 (Rates and Regulation Evidence page 4.7, lines 5 to 12)
As a result of the 2006 GRA, three studies were to be undertaken by Hydro and stakeholders relating to the NP rate design, the IC rate design and the RSP design. Please list all recommendations deriving from these studies and identify those that have either been implemented or are proposed for implementation in this GRA.

CA-NLH-36 (Rates and Regulation Evidence page 4.7, lines 14 to 24)
Please confirm that the IC rates for which Hydro is requesting approval reflect 100% of the cost of service for the 2013 test year. What is the basis in this Province for setting IC rates at 100% of the cost of service? What is the policy in other regulated jurisdictions in Canada for setting IC rates and what percentage of costs are their IC rates collecting?

CA-NLH-37 (Rates and Regulation Evidence page 4.14, lines 9 to 13)
Please provide an explanation and full accounting of the rural deficit amount, the basis for its assignment to various customers classes and its impact on revenue to cost ratios for each customer class; i.e., the 44% overage in the revenue to cost ratio for the Labrador Interconnected Customers that is stated to be attributable to the portion of the rural deficit allocated to customers on this system.

CA-NLH-38 (Rates and Regulation Evidence page 4.14, lines 9 to 13)
Please file for the record all Government policies or directives requiring Hydro to provide subsidized rates to Rural Customers and recover the costs to fund the subsidy from other customer classes.

CA-NLH-39 (Rates and Regulation Evidence page 4.14, lines 9 to 13)
Please provide a table identifying details in other Canadian jurisdictions that require payment of subsidies by one customer class to another including the amount of the subsidy and the impact in percentage terms on the paying customer class rates. Include NL in the table for comparative purposes.

CA-NLH-40 (Rates and Regulation Evidence page 4.17, lines 13 to 17)
Is the cost of Holyrood production expected to represent the marginal cost of energy throughout the year in 2013? Is it also expected to represent the marginal cost of energy throughout each year from 2013 through 2020?

CA-NLH-41 (Rates and Regulation Evidence page 4.17, lines 13 to 17)
It is stated that the average embedded cost of Holyrood fuel included in forecast rates for the 2013 test year is 17.77 cents/kWh. What is the marginal cost of energy production from Holyrood in 2013, and forecast for each year from 2013 to 2020?

CA-NLH-42 (Rates and Regulation Evidence, Section 4.6, pages 4.16 to 4.20)
Please provide a table showing for each of the last 15 years the RSP calculation based on actual demand, hydro production, energy purchases and fuel data of each term of the RSP as proposed in this Application and explain how consumers would have benefitted, emphasizing in particular how customers benefit from the proposed changes and new components of the RSP.

CA-NLH-43 (Rates and Regulation Evidence, Section 4.6, pages 4.16 to 4.20)
Please file a substitute RSP design that stabilizes the cost of fuel by comparing the test year cost of fuel in cents/kWh to the actual cost of fuel for the year in question, and making an adjustment to rates accordingly to reflect the percentage over- or under-charge. Propose a dead-band beyond which rates would be adjusted to collect the cumulative amount. The purpose of the dead-band would be to reduce rate volatility.

CA-NLH-44 (Rates and Regulation Evidence page 4.20, lines 10 to 11)
Hydro notes that fuel and purchased power costs are "substantially

outside its control". Are these costs substantially outside the control of consumers as well? Which party has the greatest control over these costs – Hydro or consumers?

CA-NLH-45 (Rates and Regulation Evidence page 4.28, lines 1 to 10)
What has been the basis for reporting functional KPIs in the past? Could Hydro not report such functional KPIs on the basis of the most recently completed cost of service study?

Exhibit 2 – Annual Report on KPIs

CA-NLH-46 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E3)
Are 2012 financial data and 2013 targets now available (Sections 3.3 and 4.0)? If so, please file.

CA-NLH-47 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E4)
What is Hydro's long-term plan for supporting Avalon transmission and system peak loads?

CA-NLH-48 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E12)
What are Hydro's current and long-term plans for dealing with salt contamination?

CA-NLH-49 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E18)
Has Hydro since determined what caused the mobile generator to trip off-line leading to the 5 hour and 48 minute outage at Black Tickle?

CA-NLH-50 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E32 and E33)
Why has customer satisfaction slipped so dramatically?

Dissatisfaction with service reliability is given as a possible explanation, but hasn't reliability improved in recent years?

CA-NLH-51 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E32 and E33)
What are Hydro's plans for improving customer satisfaction going forward and what is the target for customer satisfaction in 2013/14?

CA-NLH-52 (GRA, Volume II, Exhibit 2 - Annual Report on KPIs, page E36)
Have customers indicated a willingness to pay for improved reliability performance? Please file for the record the questions in Hydro's customer survey that are used to determine customer willingness to pay for improved reliability.

Exhibit 3 – Provincial Electrical Systems

CA-NLH-53 (GRA, Volume II, Exhibit 3 – Provincial Electrical Systems, page 3)
It is stated that new facilities necessary to provide construction power for Muskrat Falls are fully contributed and assigned as common due to system capacity benefits. Please provide details of all projects and costs associated with adding Muskrat Falls as a new customer on the Labrador Interconnected System.

CA-NLH-54 (GRA, Volume II, Exhibit 3 – Provincial Electrical Systems, page 3)
Please provide a table showing the revenue requirement and average rate in cents/kWh for the Labrador Interconnected System both with and without Muskrat Falls as a new customer.

CA-NLH-55 (GRA, Volume II, Exhibit 3 – Provincial Electrical Systems, page 3)

Are the consumption characteristics of Muskrat Falls similar to other customers on the Labrador Interconnected System? Did Hydro consider making Muskrat Falls a separate customer class?

Exhibit 4 – Corner Brook Pulp & Paper Generation Credit

CA-NLH-56 (GRA, Volume II, Exhibit 4 – Corner Brook Pulp & Paper Generation Credit, page 5)

Is it appropriate to base the savings on historical costs? What are the savings forecast over the next ten years based on Hydro's marginal cost forecast?

CA-NLH-57 (GRA, Volume II, Exhibit 4 – Corner Brook Pulp & Paper Generation Credit, pages 12 and 13)

What are the projected annual savings going forward to CBPP, the ICs and NP resulting from the change in operation of CBPP generation based on the 2013 cost of service both in total Dollars and average rates in cents/kWh?

CA-NLH-58 (GRA, Volume II, Exhibit 4 – Corner Brook Pulp & Paper Generation Credit, page 15/16)

Why are estimated savings from the change in CBPP generation not allocated more closely with energy ratios; i.e., the ICs are projected to receive 31% of the savings while NP receives 64%, and Rural Customers receive the remaining 5%?

CA-NLH-59 (GRA, Volume II, Exhibit 4 – Corner Brook Pulp & Paper Generation Credit, page 15/16)

It is understood that CBPP will receive benefits through reduced

bills, reductions in RSP payments through the fuel component and reductions in RSP payments through the load variation component. What are the projected annual savings to CBPP for each of these three components for each of the next five years in total Dollars and average rates owing to the change in operation of its generation?

CA-NLH-60 (GRA, Volume II, Exhibit 4 – Corner Brook Pulp & Paper Generation Credit, page 15/16)

What would be the savings to CBPP, the ICs, NP and Rural Customers resulting from the change in CBPP generation if the RSP were abandoned?

Exhibit 6 – Allowed Range of Return on Rate Base

CA-NLH-61 (GRA, Volume II, Exhibit 6 – Allowed Range of Return on Rate Base, page 16)

The reports states "When the earned return on rate base exceeds the allowed return on rate base by more than 25 basis points, where the rate base is equal to the average annual rate base, the excess earnings would be recorded in an excess earnings account as a liability. The balance of the excess earnings account will be disposed of in the manner determined by the PUB. Although not specified in Order No. P.U. 40 (2004), to the extent that the earned return on rate base falls below the bottom end of the allowed range, shortfalls remain to the account of the shareholder." Please provide a table listing all occasions in the Province (i.e., for both Hydro and NP) in the past 20 years when returns have fallen outside the allowed range and how it has been handled by the Board.

Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report

CA-NLH-62 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report)
What did Lummus assume with regard to the RSP design when it compiled its report?

CA-NLH-63 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report)
Was Lummus asked to review the RSP design?

CA-NLH-64 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report)
Would Lummus change its recommendations if the RSP were abandoned?

CA-NLH-65 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report)
Were any of the Parties to the NP Rate, IC Rate and RSP reviews stemming from the last GRA consulted by Lummus before or during preparation of this report? If so, please provide all correspondence between Lummus and the Parties.

CA-NLH-66 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report)
Were marginal cost principles incorporated in the Lummus report? Please provide all instances in the report where marginal cost principles were applied and file a copy of the marginal cost forecast used in the review.

CA-NLH-67 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and

Industrial Rate Design Report, Section 1 – Cost of Service)
Please provide a table listing each new component of the transmission system and each new system that has been incorporated in the cost of service study since the last GRA and identify its cost and the customers to whom these costs have been allocated.

CA-NLH-68 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 6)
Please provide a table listing each occasion that NP's Curtailable Service Customers have been interrupted since 2005. Please show the date, the length of interruption, the amount of load interrupted, the reason for interruption and the system peak load reductions that resulted.

CA-NLH-69 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 6)
Does Hydro believe that interrupting Curtailable Service customers when there is no system need is consistent with its mandate to "provide least cost, reliable and safe electricity to its customers"? Please explain.

CA-NLH-70 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 7)
The Lummus report lists a number of "issues worthy of investigation" and goes on to say "it is recommended that NP, the CA and other interested stakeholders propose options for treatment of NP curtailable load that addresses the concerns discussed above". In Exhibit 11, Review of Demand Billing to NP, page 26, it is stated "Hydro and NP agree to propose changes to the wholesale demand and energy rate to accommodate a change in the

treatment of NP's curtailable load at Hydro's next GRA". The report in Exhibit 11 goes on to say "such a mechanism for the curtailable load has Cost of Service implications and should be tested during a GRA process where all customer groups have an opportunity to offer evidence or argument on the matter". Please specify what Hydro is proposing in this GRA with regard to the treatment of NP's curtailable load and file copies of all documentation including correspondence between Hydro and NP related to investigating the issues identified in the Lummus report and as stated in Exhibit 11.

CA-NLH-71 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 7)

The Lummus report states "There is an argument to be made that if customers want to take advantage of opportunities to reduce their own costs through curtailment then there is no "inconvenience" as it is an economic decision". Please provide a list of references where customers have indicated that there is no inconvenience when their power supply is interrupted. Does Hydro's customer survey support the notion that customers are not inconvenienced when their supply is interrupted? If so, please provide details.

CA-NLH-72 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 7)

The Lummus report states that Hydro would be the entity that would determine when such curtailable load is called upon for system emergencies. Is Hydro the entity that determines when NP generation is called upon to operate during system emergencies?

CA-NLH-73 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 9)

The Lummus report acknowledges that the Parties agreed that capacity and energy rate components of the NP rate reflect current forecasts of time varying marginal costs of system capacity and energy and that rate designs will take into account trends in marginal costs. Please explain how Lummus incorporated the marginal cost of capacity in its review of the NP rate design.

CA-NLH-74 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 10)

The Lummus report states that an Island Interconnected System capacity deficit will occur in 2015 and that significant transmission line expenditures are planned for 2012 - 2016, which are also capacity-related expenditures. On this basis, the Lummus report concludes that there does not seem to be justification for muting the demand price signal by pricing NP's demand at less than the cost based rate. What is Hydro's forecast of the value of capacity under this scenario?

CA-NLH-75 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 15)

The report states "by placing less emphasis on Holyrood fuel, this rate structure is seen to be moving towards closer alignment with the possible demand/energy relationship of the next least-cost supply resource". Please provide support for this statement; i.e., what is the next least-cost supply source and what are its costs of capacity and energy?

CA-NLH-76 (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design Report, page 17)

The Lummus report states "This program has effectively addressed concerns over incentives being available to the IC for CDM,

thereby mitigating the need for a two block rate structure". On page 19 of the Lummus report, it is stated "The IC program has resulted in minimal energy savings to date". Would a two-block rate structure as agreed to by Hydro and the ICs in the Review of the IC Rate Design study with the second block reflecting marginal energy costs be expected to increase incentives for energy savings?

Exhibit 11 – Review of Demand Billing to NP

CA-NLH-77 (GRA, Volume II, Exhibit 11 – Review of Demand Billing to NP, page 26)

Please file a proposal whereby NP billing demand is adjusted to reflect available Curtailable load on NP's system. Provide details on how the curtailable load amount is determined, tested, and modified on an ongoing basis and identify cost of service implications, and indicate how the proposal addresses the issues requiring investigation identified in the Lummus report.

Exhibit 12 – Review of IC Rate Design

CA-NLH-78 (GRA, Volume II, Exhibit 12 – Review of IC Rate Design, page 1)

Please provide an IC rate design that is closely based on the agreement reached between Hydro and the ICs defined on page 1 of the report "Review of IC Rate Design". File a design that improves economic efficiency while maintaining other rate design principles.

CA-NLH-79 (GRA, Volume II, Exhibit 12 – Review of IC Rate Design, page 3)

The report states "Depending upon the method used to calculate block sizes, the load variation provision of the Rate Stabilization Plan may no longer be required". Given that Hydro is foregoing

implementation of a two-block rate structure, is there no longer a need for the load variation component of the RSP? Would Hydro change its decision to forego a two-block rate structure for IC rates if the load variation component of the RSP were abandoned?

Exhibit 14 – Holyrood Decommissioning Study

CA-NLH-80 (GRA, Volume II, Exhibit 14 – Holyrood Decommissioning Study, page 1.2)
Please provide details of the year-by-year resource expansion plan consistent with the Holyrood decommissioning schedule assumed by the consultants in this study.

CA-NLH-81 (GRA, Volume II, Exhibit 14 – Holyrood Decommissioning Study, page 3.1)
Why is it preferable to install and operate a 50 MW gas turbine for peak loading rather than continue operating an existing unit at Holyrood?

Exhibit 18 – Intercompany Transaction Costing Guidelines

CA-NLH-82 (Exhibit 8: Intercompany Transaction Costing Guidelines)
In the development of its costing guidelines, how did Hydro view the applicability of the rules and principles that the Board has established for Newfoundland Power's inter-corporate transactions?

CA-NLH-83 (Exhibit 8: Intercompany Transaction Costing Guidelines)
What is Hydro's rationale for not charging a markup on the services provided by Hydro's personel to related or affiliated companies?

CA-NLH-84 From 2010 to 2013 forecast, please provide the proportion of time spent by each member of Hydro's Executive team on regulated vs. non-regulated activities.

CA-NLH-85 Please provide a breakdown of salaries between regulated and non-regulated activities for Managers and Executives from 2010 to 2013 forecast.

Exhibit 13 – Cost of Service Study

CA-NLH-86 (Exhibit 13 – 2013 Cost of Service Study)
Please compare the 2013 Test Year Cost of Service as shown at Schedule 1.1 to the 2007 Forecast Cost of Service approved by the Board and please explain the basis for any significant differences between 2007 and 2013 expenses for each of Hydro's electrical systems.

CA-NLH-87 (Exhibit 13 – 2013 Cost of Service Study)
Please explain how (and what) costs are allocated to IOCC on the Labrador Interconnected System.

CA-NLH-88 (Exhibit 13 – 2013 Cost of Service Study)
With reference to the Labrador Interconnected System, please specifically demonstrate how the increase in capital spending over 2007 to 2013 of approximately $39 million in system upgrades results in the requested rate increase sought in the Application.

CA-NLH-89 (Exhibit 13 – 2013 Cost of Service Study)
Further to the previous question, please explain what portion, if any, of the $39 million in capital spending over 2007 to 2013 is

being allocated to IOCC and the basis for that allocation.

CA-NLH-90 (Exhibit 13 – 2013 Cost of Service Study)
Please provide a detailed explanation setting out Hydro's basis for the rate increases proposed for its Labrador Isolated System customers by making reference to revenue requirement changes on that system.

Other

CA-NLH-91 (Hydro's cover letter of July 30, 2013)
On page 3, the letter refers to the annual Northern Strategic Plan subsidiary. Please provide a copy of the referenced program's description.

CA-NLH-92 Please explain how Natuashish's electrical power assets are owned and operated and how the costs of same are reflected in the Cost of Service.

CA-NLH-93 Please provide a copy of "System Planning Guideline – Assignment of Plant for Cost of Service" dated October 15, 2012.

CA-NLH-94 Please provide a copy of Hydro's most recent customer survey and results of the same.

CA-NLH-95 Please provide the typical annual consumption of a residential customer:

- With no electric heating or hot water;
- With electric hot water, but no electric heating;
- With electric hot water and electric heating.

CA-NLH-96 Please provide a list of the reports that Hydro files with the Board on a regular basis and please indicate how often and when the same are filed each year, as appropriate.

CA-NLH-97 Please provide the reports of the annual reviews of Hydro carried out by the Board's financial consultants for the past three years.

CA-NLH-98 Please file a copy of the three most recent annual returns of Hydro.

CA-NLH-99 Please provide for each of the years 2007 to 2013(f) the amount of the rural deficit broken down by each of the Rural Deficit Areas.

CA-NLH-100 Please provide an explanation as to the growth of the rural deficit for 2007 levels to present for each of the Rural Deficit Areas.

CA-NLH-101 Please provide, on a fiscal year basis for the years 2007 to 2013, the Performance Indicator Data as outlined below. Please provide responses in both tabular and graphical form:

(a) Total Employees
(b) Total Payroll
(c) Employees Per Million $ of O&M Expense
(d) Employees Per Million $ of O&M Expense Excluding Fuel Expense
(e) Executive Employees
(f) Executive Payroll
(g) Hourly Employee Payroll as Percentage of Total Payroll
(h) Payroll per kWh of Total Sources of Energy
(i) Energy Efficiency/Conservation Staff
(j) Environmental Staff
(k) Marketing Staff.

CA-NLH-102 Please provide a financial forecast including a statement of all assumptions, planning criteria, perceived changes in the revenue requirement and required rate action in the next five years. Include a calculation showing the surplus/deficit in the Rate Stabilization Plan.

CA-NLH-103 Please provide a copy of Hydro's corporate operating budget for each of the years 2007 to 2013.

CA-NLH-104 Please file a labour forecast for 2013 and 2014 showing the detailed information concerning the method used to forecast FTEs and labour expense as well as an explanation of the assumptions used to determine forecast vacancies (in the fashion filed by Newfoundland Power Inc. on September 14, 2012 in its GRA at B. Reports – 2 Labour Forecast 2012-2014).

CA-NLH-105 (Section 2: Regulated Activities, p. 2.18, lines 6-8)
Please provide a copy of the analysis of non-union salaries relied upon to adjust non-union salary scales in 2012.

CA-NLH-106 (Section 2: Regulated Activities, p. 2.18, lines 6-8)
Please state which positions received the 1.3% to 7.9% upward adjustments in 2012, stating the applicable adjustments for each position affected.

CA-NLH-107 (Section 2: Regulated Activities, p. 2.16, lines 17-18)
Please provide the annual number of voluntary resignations by position from 2006 to 2013.

CA-NLH-108 (Finance Schedule III)
Please provide a detailed explanation for the increase in

professional service costs from 2007 to 2013 forecast (i.e. actual $3.86 million to $7.02 million).

CA-NLH-109 (Finance Schedule III)
Please provide a detailed explanation for the increase in equipment rental costs from 2007 to 2013 forecast (i.e. $1.082 million to $1,731 million).

CA-NLH-110 (Finance Schedule III)
Please provide a detailed explanation for the increase in miscellaneous expenses from 2007 to 2013 forecast (i.e. $4.247 million to $6.380 million).

CA-NLH-111 (Finance Schedule III)
Please provide a detailed explanation for the decrease in costs allocated to non-regulated customers from 2007 to 2013 forecast (i.e. $2.679 million to $2.108 million).

CA-NLH-112 (Finance Schedule III)
Please provide a detailed breakdown of professional service costs by year for the period 2007 to 2013 forecast (line 11).

CA-NLH-113 (Finance Schedule III)
Please provide a detailed breakdown of miscellaneous costs by year for the period 2007 to 2013 forecast (line 15).

CA-NLH-114 (Finance Schedule III)
Please provide a breakdown of the costs recoveries of ($9,222 million) for 2013 forecast (line 18).

CA-NLH-115 (Finance Schedule III)

Please provide a breakdown of the costs allocated to non-regulated customers in 2013 forecast (line 19).

2013 Forward Average Rate Base

CA-NLH-116 Please provide continuity schedule for Gross Fixed Assets for the period 2007 to 2013 plus a five year forecast for 2014 to 2018. Include in the schedules annual capital expenditures (actual to 2012 /forecasted to 2018), opening and closing work in progress, contributions in aid of construction, asset retirements, accretion of asset retirement obligations, and assets not in use.

CA-NLH-117 Please provide continuity schedule for accumulated depreciation for the period 2007 to 2013 plus a five year forecast for 2014 to 2018. Include in the schedules annual depreciation expenditures (actual to 2012 /forecasted to 2018), contributions in aid of construction, asset retirements, depreciation of asset retirement obligations, and assets not in use.

CA-NLH-118 Please provide budgeted capital expenditure plans for the 2013 plan year.

CA-NLH-119 Please provide a forecast of expected 2013 capital expenditures using the most recent reported actuals and forecast to the end of the year.

CA-NLH-120 Page 265 of Exhibit 10 shows "Chart 1: CAPITAL BUDGET VERSUS ACTUAL EXPENDITURES 2003 – 2012". Please provide an updated chart that would include the 2013 budget and forecasted actual determined in 4 above, plus the forecast amount to 2018 identified in the gross fixed assets continuity schedule.

CA-NLH-121 Please discuss Hydro's expectation to achieve its forecasted 2013 capital expenditure.

CA-NLH-122 Finance Schedule I page 5 of 11 shows accumulated depreciation of $707,241 in 2011 and $88,865 in 2012. Please provide an explanation for the significant change in value.

CA-NLH-123 Finance Schedule I page 5 of 11 shows contributions in aid of construction of $98,054 in 2011 and $14,052 in 2012. Please provide an explanation for the significant change in value.

CA-NLH-124 Finance Schedule I page 2 of 11 (Balance Sheet) line 31 shows amounts for asset retirement obligations starting in the years 2011. Please provide details for these entries.

CA-NLH-125 Please provide 2011 and 2012 audited financial statements for Newfoundland and Labrador Hydro.

CA-NLH-126 Please show the calculation to determine the 2013 cash working capital allowance of $5,336 as shown on line 16 of the Finance Schedule I page 5 of 11.

CA-NLH-127 Please show the calculation to determine the 2013 Fuel of $50,885 as shown on line 17 of the Finance Schedule I page 5 of 11.

CA-NLH-128 Please show the calculation to determine the 2013 materials and supplies of $24,701 as shown on line 18 of the Finance Schedule I page 5 of 11.

CA-NLH-129 Please show the calculation to determine the 2013 deferred charges

of $65,451 as shown on line 19 of the Finance Schedule I page 5 of 11. Please explain difference from the value reported on Table 9 Deferred Charges page 3.30.

CA-NLH-130 Table 9 Deferred Charges page 3.30 shows deferred charges include CDM cost in the ending amount of $4.8M. Exhibit 9 Tables 5 and 6 show the determination of the opening CDM balance of $2.4M. Hydro includes $2.6M in 2013 for CDM costs to be deferred. Table 6 of Exhibit 9 shows that Hydro has not achieved that level of CDM spending in prior years. Please discuss whether or not Hydro will achieve the $2.6M CDM expense in 2013.

CA-NLH-131 The nature of expenditures included in Table 9 Deferred Charges page 3.30 all include annual expenditures and amortization of balances resulting in variable annual values. As opposed to the other proposed balances that can be reasonably maintained by management control at constant level for inclusion in the calculation of rate base, the proposed deferred charges included are subject to variability. Please discuss the rationale for including this balance in the calculation of rate base.

Employee Future Benefit actuarial gains and losses

CA-NLH-132 Please provide a copy the last actuarial valuation completed for Hydro.

CA-NLH-133 Hydro identifies that under the Board approved Order No. P.U. 13(2012) that it effectively deferred all actuarial gains and losses. However in this application Hydro is asking to continue recognizing actuarial gains and losses. Please identify the 2012

amount that might have been reported had Hydro not deferred the 2012 amount.

CA-NLH-134 Please identify the amount that would have been reported in 2013 had the 2012 amount been reported.

CA-NLH-135 Please confirm whether or not Hydro is complying with IAS 19 Employee Benefits.

Asset Retirement Obligation

CA-NLH-136 Please provide a continuity schedule for Asset Retirement Obligations (Costs) recorded in assets and offsetting liability from 2007 to 2013. Please identify between Holyrood ARO and PCB ARO.

CA-NLH-137 Please provide a depreciation continuity schedule for Asset Retirement Obligations (Costs) recorded in assets and offsetting liability from 2007 to 2013.

CA-NLH-138 Please identify depreciation policy and periods used for Asset Retirement Obligations (Costs).

CA-NLH-139 Hydro states "In 2012, Hydro continued to record and report, in the audited financial statements, AROs and corresponding expenses in accordance with Canadian GAAP."

a) Please explain this comment.

b) Please compare and contrast Asset Retirement Obligations under Canadian GAAP accounting policy to IAS 37.

Defer and Recover CDM

CA-NLH-140 Per Exhibit 9 Table 5 Deferred Charges identifies a closing 2012 CDM balance of $2.4M. Per the Exhibit 9 Table 6 following the actual annual expenditures are dissimilar. Please reconcile the differences.

CA-NLH-141 Rate Schedule page 20 and 21 describe the calculation of the CDM recovery mechanism. Please create a sample calculation of the resulting recovery rates using the $2,429,811 balance above.

2013 CDM Costs Deferral

CA-NLH-142 In P.U. 21 (2013) application for the deferred recovery of 2013 costs associated with its 2013 energy conservation plan in the amount of $1.95M was not approved, pending this application. Please identify where in this application Hydro has formally requested its 2013 CDM expenditure budget.

CA-NLH-143 Per Table 3.9 Deferred Charges Hydro indicates that it 2013 CDM spending will be $2.6M. Please explain the reason for the difference in this application request of $2.6M and the original applied amount of $1.95M in question 1 above.

CA-NLH-144 Please provide all documentation that would normally be filed with the Newfoundland and Labrador Board of Commissioners of Public Utilities for the deferred recovery of 2013 costs associated with its 2013 energy conservation plan supporting the request for $2.6M.

Isolated systems diesel and power purchase costs

CA-NLH-145 Does Hydro intend to include monthly carry costs to be included in the calculation of deferral accounts?

CA-NLH-146 Will Hydro be applying to the Board of Commissioners of Public Utilities for approval of the deferral amounts?

CA-NLH-147 Hydro has discussed how it intends to allocate the deferred cost to the affected rate classes but has not discussed determination of rate design for recovery. Please elaborate on proposed rate design for recovery.

Amortize Application cost over three years.

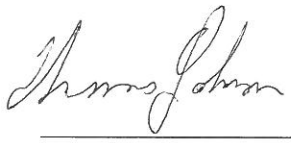
CA-NLH-148 Hydro is requesting to defer $1.0 million in regulatory cost with respect to this application and recover this amount over 3 years. Please provide a breakdown of the estimate amounts to be recovered.

CA-NLH-149 Please discuss why three years was the period chosen.

CA-NLH-150 Please confirm that the 2013 amount of $333 is recorded on Schedule I page 9 of 11 Operating Expense by Cost Type line 28 Deferred Regulatory Costs.

CA-NLH-151 Please discuss Hydro's intended action with respect to reporting periods beyond the third year.

Dated at St. John's in the Province of Newfoundland and Labrador, this 23rd day of September, 2013.



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