

September 23, 2013

VIA COURIER and ELECTRONIC MAIL

Board of Commissioners of Public Utilities
120 Torbay Road
P.O. Box 21040
St. John's, NL A1A 5B2

**Attention: Ms. G. Cheryl Blundon
Board Secretary**

Dear Ms. Blundon:

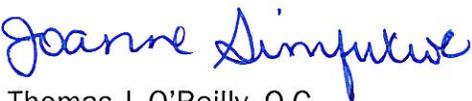
RE: General Rate Application of Newfoundland and Labrador Hydro

Enclosed are the original and twelve (12) copies of Vale's RFIs in respect of the Application.

We have provided a copy of this correspondence together with enclosures to all concerned parties.

We trust you will find the enclosed satisfactory.

Yours faithfully,


for: Thomas J. O'Reilly, Q.C.

TJOR/js
Encl.

c.c. Newfoundland & Labrador Hydro
P. O. Box 12400
500 Columbus Drive
St. John's, NL A1B 4K7
Attention: Geoffrey P. Young
Senior Legal Counsel

Thomas J. O'Reilly, Q.C. | Partner

Direct 709 570 5320 Main 709 738 7800 Fax 709 726 3070 Email toreilly@coxandpalmer.com
Suite 1000 Scotia Centre 235 Water Street St. John's NL A1C 1B6

September 23, 2013

Newfoundland & Labrador Hydro
Hydro Place
500 Columbus Drive
St. John's, NL A1V 4K7
Attention: Mr. Colin Feltham

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

Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6
Attention: Mr. Peter Alteen

Curtis Dawe
11th Floor, Fortis Building
139 Water Street
St. John's, NL A1C 5J9
Attention: Liam O'Brien

Thomas J. Johnson, Consumer Advocate
O'Dea, Earle
323 Duckworth Street
P. O. Box 5955, Stn. C
St. John's, NL A1C 5X4

Praxair Canada Inc.
1 City Centre Drive
Mississauga, ON L5B 1M2
Attention: Mr. David Meade

Praxair Canada Inc.
1 City Centre Drive, Suite 1200
Mississauga, ON L5B 1M2
Attention: Sheryl Nisenbaum,
Assistant Secretary

Corner Brook Pulp and Paper Limited,
North Atlantic Refining Limited
and Teck Resources Limited
Stewart McKelvey
PO Box 5038
11th Floor, Cabot Place
100 New Gower Street
St. John's, NL A1C 5V3
Attention: Paul Coxworthy

Poole Althouse
Western Trust Building
49-51 Park Street
Corner Brook, NL A2H 2X1
Attention: Dean A. Porter

Miller & Hearn
450 Avalon Drive
P.O. Box 129
Labrador City, NL A2V 2K3
Attention: Edward M. Hearn, Q.C.

September 23, 2013

Olthuis, Leer, Townshend LLP
229 College Street
Suite 312
Toronto, ON M5T 1R4
Attention: Nancy Kleer

Olthuis, Leer, Townshend LLP
229 College Street
Suite 312
Toronto, ON M5T 1R4
Attention: Stephanie Kearns

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

1 V-NLH-4 Reference: Section 2, Regulated Activities, Section 2.2 Exploits
 2 Generation, page 2.4, lines 8-11
 3 Please provide a copy of all directives received from Government
 4 regarding the payment of 4¢ / kWh for the energy received from the
 5 Grand Falls, Bishop's Falls, Buchans and Star Lake facilities.

6 V-NLH-5 Reference: Section 2, Regulated Activities, Section 2.4.1.1, Salaries
 7 and Benefits, Capital Labour Costs, page 2.22, Table 2.5
 8 Please complete the following table

Capital Labour (hours)

	<u>2007 Actual</u>	<u>2013 Forecast</u>	<u>Change</u>
Capital labour hours - regular time			
Capital labour hours - overtime			
Ratio: overtime / regular time (%)			

9 V-NLH-6 Reference: Section 2, Regulated Activities, Section 2.4.1.1, Salaries
 10 and Benefits, Capital Labour Costs, page 2.22, Table 2.5
 11 What steps is Hydro taking, if any, to minimize the capital expenditure
 12 done at overtime rates.

13 V-NLH-7 Reference: Section 2, Regulated Activities, Section 2.4.1.1, Salaries
 14 and Benefits, Capital Labour Costs, page 2.22
 15 Please provide the percentage of forecasted 2013 capital labour that
 16 Hydro plans to complete using their own forces and the percentage that
 17 will be contracted out.

18 V-NHL-8 Reference: Section 2, Regulated Activities, Section 2.4.1.1, Salaries
 19 and Benefits, Fringe Benefits, page 2.23
 20 Has Hydro's emphasis on health and safety resulted in the lowering of
 21 Workers Compensation premiums?

22 V-NLH-9 Reference: Section 2, Regulated Activities, Section 2.4.1.1, Salaries
 23 and Benefits
 24 Please provide the total cost of all benefits in \$ / labour hour and as a
 25 percentage of labour cost.

26 V-NLH-10 Reference: Section 2, Regulated Activities, Section 2.4.2, Operating
 27 Expenses by Functional Area, page 2.28, line 11 to page 2.29, line 1.
 28 What amount of the \$8.9 million increase in cost is associated with the
 29 transfer of inventory and stores employees?

30 V-NLH-11 Reference: Section 2.4.2.1. - Operations - Transmission and Rural,
 31 Table 2.9
 32 Please divide table 2.9 into transmission expenses and rural operations
 33 expenses.

- 1 V-NLH-12 Reference: Section 2.4.2.2, Corporate Services, page 2.34, System
2 Equipment Maintenance
3 Please provide the total cost for building maintenance at Hydro Place
4 and the percentage paid by Hydro.
- 5 V-NLH-13 Reference: Section 4, Rates and regulation, Section 4.6 Rate
6 Stabilization Plan, page 4.17 - 19
7 Is Hydro aware of any other utilities in North America that utilize a
8 purchase power variation component in their rate stabilization plan?
- 9 V-NLH-14 Reference: Section 4, Rates and regulation, Section 4.6 Rate
10 Stabilization Plan, page 4.17 - 19
11 Please provide the cost for gas turbine fuel on the island interconnected
12 system for each year from 2007 to 2012.
- 13 V-NLH-15 Reference: Section 4, Rates and regulation, Section 4.7.2, Proposed
14 Deferral and Recovery Mechanisms, page 4.25, lines 14 - 18
15 In the past 20 years, please list the years in which there have been rate
16 hearings. Why isn't Hydro proposing to amortize the GRA costs over the
17 average length of time between hearings rather than a three-year
18 period?
- 19 V-NLH-16 Reference: Section A, Application, bullet 31(15), page 7
20 It is proposed "that Hydro be permitted to amortize the recovery over a
21 three-year period of an estimated \$1 million in Board, Consumer
22 Advocate and other approved costs related to the application". Please
23 provide the estimate for each of the three categories.
- 24 V-NLH-17 Reference: Section 3, Finance, Section 3.2.1 Return on Equity, page 3.3
25 Please provide a copy of the Government directive or directives referred
26 to in lines 13 - 14.
- 27 V-NLH-18 Reference: Section 2, Regulated Activities, Section 2.5.4.3, Changes in
28 Island Interconnected System reserve and Newfoundland Power
29 Generation Credit, page 2.43
30 Please provide a table similar to the above referenced table using the
31 current approved values rather than the proposed 2013 test year
32 values.
- 33 V-NLH-19 Reference: Section 2, Regulated Activities, Section 2.5.4.3, Changes in
34 Island Interconnected System reserve and Newfoundland Power
35 Generation Credit, page 2.43
36 Please provide the reasons for the changes in hydraulic and thermal
37 capacity.
- 38 V-NLH-20 Reference: Section 2, Regulated Activities, Section 2.5.4.3, Changes in
39 Island Interconnected System reserve and Newfoundland Power General
40 Credit, page 2.43

1 Reference: Exhibit 13, Cost of Service, page 21 of 109, Schedule 1.5,
 2 footnote (1)
 3 Please confirm that 1.153 and not 1.150 was used in the calculation on
 4 the above referenced schedule in the cost of service.

5 **V-NLH-21** Reference: Exhibit 9, Cost of Service Study / Utility and Industrial Rate
 6 Design report, page 20, Table 5: Deferred CDM Costs
 7 The table shows that the grand total is \$2,429,811. Please provide the
 8 breakdown of this total between Hydro's five systems.

9 **V-NLH-22** Please complete the following table

Estimated CDM Expenditures for the Island Interconnected System

<u>Year</u>	<u>Total Costs</u>
2013	
2014	
2015	
2016	
2017	
2018	
2019	

10 **V-NLH 23** As part of Hydro's conservation and demand plan, are there any
 11 programs designed to reduce the island interconnected system peak
 12 demand? If so, please describe them.

13 **V-NLH-24** Reference: Section 1.2.2.3, Conservation and Demand Management,
 14 page 1.8
 15 Please provide copies of the two reports referred to in lines 11 & 12.

16 **V-NLH-25** Reference: Exhibit 13, 2013 Test Year Cost of Service, page 1 of 109,
 17 Schedule 1.1, page 1 of 2, row 19, col. 3
 18 Please provide a breakdown of the \$1,005,645 expense under Disposal
 19 Gain / Loss.

20 **V-NLH-26** Reference: Section 1.3.1.2, Hydro's Forecast Electricity Sales, page 1.12
 21 Please provide a table showing actual or forecast energy sales on the
 22 island interconnected system for each of the years 2000 to 2017.

23 **V-NLH-27** Reference: Section 2.4.1.2, System Equipment Maintenance, page
 24 2.24, lines 17 to 19
 25 Please identify the equipment that was overhauled at a total cost of
 26 \$1.7 million.

27 **V-NLH-28** Reference: Section 2, Regulated Activities, Section 2.4.2.2, Corporate
 28 Service, page 2.32

1 Please provide a table similar to Table 2.13, but using FTEs rather than
2 expenditure.

3 **V-NLH-29** Reference: Section 2.5.4.1, Island Interconnected System, page 2.42,
4 Table 2.17

5 Please provide a similar table but include the planned and proposed
6 generation in the net capacity and firm capability columns.

7 **V-NLH-30** Reference: Section 1.4.1.1, Cost Control, page 1.19 to 1.20
8 Please complete the following table

Revenue Requirement / Actuals for the Island Interconnected System

<u>Year</u>	<u>Total</u>	<u>OMA</u>	<u>Fuels</u>	<u>Power</u> <u>Purchases</u>	<u>Depreciation</u> <u>and other</u>	<u>Interest</u>	<u>ROE</u>
2007 T							
2007 A							
2008 A							
2009 A							
2010 A							
2011 A							
2012 A							
2013 T							

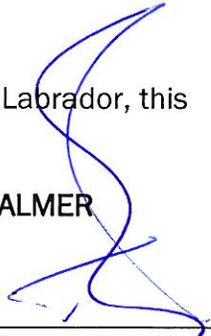
Abbreviations: T = test year; A = actual; OMA = operating, maintenance & administration; ROE = return on equity

9 **V-NLH-31** Reference: Section 1.4.1.1, Cost Control, page 1.21, Lines 1 - 2
10 Please provide the calculation used to arrive at the 2.3% increase
11 annually for the operating, maintenance and administration expense.

12 **V-NLH-32** Reference: Section 1.4.1.1, Cost Control, page 1.21, Lines 1 - 2
13 Reference: Section 2.4.1.2, System Equipment Maintenance, page
14 2.24, lines 17 - 19
15 System equipment maintenance, section 2.4.1.2 states that there is “a
16 reduction of \$1.7 million in overhaul expenses in the 2013 forecast due
17 to the decision to capitalize major overhauls”. Please recalculate
18 average annual increase (in percentage) assuming that this accounting
19 change had not occurred.

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

COX & PALMER

Per: 
Thomas J. O'Reilly, Q.C.

- TO: The Board of Commissioners of Public Utilities
Suite E210, Prince Charles Building
120 Torbay Road
P. O. Box 21040
St. John's, NL A1A 5B2
Attention: Board Secretary
- TO: Newfoundland & Labrador Hydro
P. O. Box 12400
500 Columbus Drive
St. John's, NL A1B 4K7
Attention: Geoffrey P. Young
Senior Legal Counsel
- TO: Newfoundland & Labrador Hydro
Hydro Place
500 Columbus Drive
St. John's, NL A1V 4K7
Attention: Mr. Colin Feltham
- TO: Newfoundland Power
P. O. Box 8910
55 Kenmount Road
St. John's, NL A1B 3P6
Attention: Gerard Hayes
Senior Legal Counsel
- TO: Newfoundland Power Inc.
55 Kenmount Road
St. John's, NL A1B 3P6
Attention: Mr. Peter Alteen
- TO: Curtis Dawe
11th Floor, Fortis Building
139 Water Street
St. John's, NL A1C 5J9
Attention: Liam O'Brien
- TO: Thomas J. Johnson, Consumer Advocate
O'Dea, Earle
323 Duckworth Street
P. O. Box 5955, Stn. C
St. John's, NL A1C 5X4

- TO: Praxair Canada Inc.
1 City Centre Drive
Mississauga, ON L5B 1M2
Attention: Mr. David Meade
- TO: Praxair Canada Inc.
1 City Centre Drive, Suite 1200
Mississauga, ON L5B 1M2
Attention: Sheryl Nisenbaum,
Assistant Secretary
- TO: Corner Brook Pulp and Paper Limited,
North Atlantic Refining Limited
and Teck Resources Limited
Stewart McKelvey
PO Box 5038
11th Floor, Cabot Place
100 New Gower Street
St. John's, NL A1C 5V3
Attention: Paul Coxworthy
- TO: Poole Althouse
Western Trust Building
49-51 Park Street
Corner Brook, NL A2H 2X1
Attention: Dean A. Porter
- TO: Miller & Hearn
450 Avalon Drive
P.O. Box 129
Labrador City, NL A2V 2K3
Attention: Edward M. Hearn, Q.C.
- TO: Olthuis, Leer, Townshend LLP
229 College Street
Suite 312
Toronto, ON M5T 1R4
Attention: Nancy Kleer
- TO: Olthuis, Leer, Townshend LLP
229 College Street
Suite 312
Toronto, ON M5T 1R4
Attention: Stephanie Kearns

TO: House of Commons
Confederation Building
Room 682
Ottawa, ON K1A 0A6
Attention: Yvonne Jones, MP Labrador