

The Consumer Advocate

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December 13, 2019

Board of Commissions of Public Utilities
120 Torbay Road, P.O. Box 2140
St. John's, NL A1A 5B2

**Attention: G. Cheryl Blundon, Director of
Corporate Services / Board Secretary**

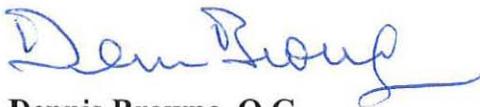
Dear Ms. Blundon:

RE: NLH 2020 Capital Budget Application – Consumer Advocate's Revised Submission

Further to the above-captioned, enclosed please find enclosed the original and twelve (12) copies of the Consumer Advocate's Revised Submission re the NLH 2020 Capital Budget Application. We are forwarding this Revised Submission to correct errors and omissions. Please delete the Submission forwarded on December 12, 2019. Thank you for your understanding.

A copy of this letter, together with enclosure, has been forwarded directly to the parties listed below.

Yours truly,



Dennis Browne, Q.C.

Encl.
/bb

cc **Newfoundland Power Inc.**
NP Regulatory (regulatory@newfoundlandpower.com)
Gerard Hayes (ghayes@newfoundlandpower.com)
Kelly Hopkins (khopkins@newfoundlandpower.com)

Island Industrial Customers Group
Paul Coxworthy (pcoxworthy@stewartmckelvey.com)
Dean Porter (dporter@poolealthouse.ca)
Denis Fleming (dfleming@coxandpalmer.com)

Newfoundland & Labrador Hydro
NLH Regulatory (NLHRegulatory@nlh.nl.ca)
Shirley Walsh (ShirleyWalsh@nlh.nl.ca)

Board of Commissioners of Public Utilities
Jacqui Glynn (jglynn@pub.nl.ca)
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PUB Official Email (ito@pub.nl.ca)

IN THE MATTER OF
the *Public Utilities Act*, (the "*Act*");

AND

IN THE MATTER OF
an application by Newfoundland and Labrador Hydro
("Hydro") for an order approving:
(i) its 2020 Capital Budget pursuant to s.41(1) of the
Act;
(ii) its 2020 capital purchases and construction
projects in excess of \$50,000 pursuant to s.41(3)(a) of
the *Act*;
(iii) its estimated contributions in aid of construction
for 2020 pursuant to s.41(5) of the *Act*; and (iv) for an
order pursuant to s.78 of the *Act* fixing and
determining its average rate base for 2015 and 2016.

CONSUMER ADVOCATE'S REVISED SUBMISSION

NEWFOUNDLAND AND LABRADOR HYDRO 2020 CAPITAL BUDGET APPLICATION

1 Overview

- 2 1. The Consumer Advocate (the "Consumer Advocate") is appointed as set out in
3 Section 117 of the *Public Utilities Act* to represent these purposes: (a) To represent
4 consumers in all matters pertaining to the Application; and (b) To advocate that the
5 Board apply the policy established under the *Electrical Power Control Act 1994*
6 (the "Act") and in particular to ensure that the Application will result in power being
7 delivered to consumers at the lowest possible cost consistent with reliable service.
8
- 9 2. Newfoundland and Labrador Hydro ("Hydro") filed the above-referenced
10 application with the Public Utilities Board on August 1, 2019.
11
- 12 3. On September 3, 2019 Newfoundland Power Inc. ("NP") filed with the Public
13 Utilities Board Notice of Intention to Participate in the above-referenced

1 Application. On September 4, 2019 the Island Industrial Customer Group and the
2 Consumer Advocate filed with the Public Utilities Board Intervenor Submissions
3 pertaining to the above-referenced Application.
4

5 4. On September 11, 2019 Requests for Information were filed by Newfoundland
6 Power, the Island Industrial Customer Group and the Consumer Advocate.
7

8 5. As part of its Intervenor Submission filed with the Public Utilities Board on
9 September 4, 2019 the Consumer Advocate requested, *inter alia*, a Technical
10 Conference and Hearing. The Application stated in part:

11
12 *For all these reasons and pursuant to the requirements set out in Section 9*
13 *of the Board of Commissioners of Public Utilities Regulations 1996 and*
14 *based on the foregoing the Consumer Advocate's participation in the hearing*
15 *will including any and all of the following:*

16 *a. Participating in technical conferences and/or hearings as the case may*
17 *be;*

18 *b. Directing Requests for Information to NLH and other parties;*

19 *c. Cross-examining witnesses who testify in this matter;*

20 *d. Submitting submissions and other representations to the PUB; and*

21 *e. In other ways in which the PUB reasonably see fit given the circumstances.*
22

23 A copy of that Application is on the record.
24

25 6. Hydro submitted that it was agreeable to a technical conference on its 2020 Capital
26 Budget Application to “*ensure that all parties have complete understanding of*
27 *Hydro’s proposals.*” Hydro qualified its agreement to a Technical Conference on
28 the basis that it was limited to “*any specific issues, projects or areas of concern that*
29 *have not yet been addressed and/or remain unclear to the parties*” (October 29,
30 2019 submission by Hydro).
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32 7. The Island Industrial Customer Group and Newfoundland Power both indicated that
33 if a Technical Conference were convened, they wished to participate.

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8. In granting the Technical Conference the Public Utilities Board stated:

In relation to the specific issues raised by the Consumer Advocate, the Board requests that Hydro and the Consumer Advocate work together to ensure that the nature of the further information required is clear. This will allow Hydro to prepare appropriately so that the issues can be efficiently and effectively addressed at the conference.

The topics for discussion at the Technical Conference were approved but limited by the Board and the Technical Conference was held on November 20, 2019.

9. Since 2005 the Public Utilities Board oversight of Capital Budget Applications has been diminished. In 2005/2007 guidelines were established by the Board wherein the applicant is required to respond to Requests for Information and is subject to rate base application review by the Board's auditors.

10. The Board has informed that a Technical Conference was held in 2011 during the review of Hydro's 2012 Capital Budget Application. Other technical conferences related to Hydro's proposed capital expenditures at Holyrood and NP's proposed expenditures for Rattling Brook were also held.

11. Apart from a technical conference, the Board relies upon its staff to review the Application. The Board does not undertake independent expert analysis of any particular project. The projects to be undertaken seem to be accepted on face value as put forward by the utility. Over the past ten years, according to the Board, capital projects with associated expenditures of approximately \$40 million have been denied or deferred, although a number of these projects were ultimately approved following the filing of additional information and further review and analysis by the Board.

1 12. The process relies for the most part on Requests for Information filed by the Board
2 and Intervenors. The Requests for Information are sent to the applicant utility for
3 reply. Requests for Information are not sworn evidence and the author of the
4 response to the Request for Information is not identified.

5
6 13. Unlike a General Rate Hearing, Capital Budget Requests for Information are not
7 subject to examination or cross-examination during a hearing. There can be
8 Requests for Information and additional Requests, however, Replies are not subject
9 to further scrutiny in any PUB process. Requests for Information prior to a technical
10 conference are pretty much a wasted effort.

11
12 14. This Capital Budget procedure based on current guidelines is inadequate. The
13 current guidelines for the capital budget of profit-driven utilities are not subject to a
14 cap or any annual capital budget limit. The PUB has not seen fit to require such a
15 cap. A utility's shopping list of capital expenditures come without an upper limit.
16 How long can this continue? The current system effectively provides the utility with
17 a blank cheque. However, the ability of ratepayers to fund such capital expenditures
18 has limits, particularly so given the stress placed on rates in the Muskrat Falls
19 environment. Common sense must prevail. Ratepayers deserve a better governance
20 model.

21
22 15. The current Capital Budget Guidelines describe a Technical Conference as follows:

23
24 *Where appropriate, a utility may conduct a technical conference.*

25
26 *A technical conference will be used in concert with the RFI process to*
27 *gain a full understanding of the scope and nature of the proposed*
28 *projects and will most often involve the participation of Board staff. To*
29 *the extent that relevant information is brought forward at the technical*
30 *conference, it will not be available for the consideration of the panel*
31 *unless it is entered on the record through the RFI process or in the*
32 *evidence of a witness. The tehcnical conference will generally not be*
33 *recorded and the information provided will not be part of the record.*
34

1 *Where the parties agree and the Board determines that it would be of*
2 *assistance, the Commissioners of the Board hearing the application*
3 *may participate in the presentation portion of the technical conference.*
4 *Where the Commissioners participate the technical conference shall be*
5 *transcribed or, in the alternative with the agreement of the parties, the*
6 *utility shall file as part of the record a written copy of the substance of*
7 *the presentation which shall be reflective of the presentation and may*
8 *be referred to in the decision making of the Board. After the*
9 *presentation the Commissioners may ask questions but generally will*
10 *not be present during the discussion/questions of the other participants.*
11
12

13 It is noted that the Board has agreed to revise the Capital Budget Guidelines.
14 However, this revision will be of no assistance in the current year. The Board must
15 find other means to deal with the current capital budgets.
16

17 16. This 2020 Capital Budget Application comes at a critical time for ratepayers. The
18 Government of the Province issued a Reference on September 5, 2018 directing the
19 Board of Commissioners of Public Utilities of Newfoundland and Labrador to
20 review and report on a number of matters including options to reduce the impact of
21 the Muskrat Falls Project (MFP) on electricity rates through to the year 2030.
22

23 17. It is the position of the Consumer Advocate that the utilities proposing capital
24 expenditures should be required to convene, first and foremost, a technical
25 conference to explain each and every expenditure. Such a technical conference
26 should be held early in the calendar year in order to allow intervenors and the Board
27 the time to retain experts to review these expenditures and to offer independent
28 opinion as to the need for ratepayer expenditure for such a project.
29

30 18. There are cost efficiencies between the two utilities as recognized by the Board's
31 own experts. As stated on page 7 of the Liberty Consulting Group report (see
32 September 3, 2019 report entitled *Final Report on Phase Two of Muskrat Falls*
33 *Project Potential Rate Mitigation Opportunities*) "we found striking the nearly \$0.5

1 billion dollars in five-year capital spending Hydro and Newfoundland Power
 2 combined have identified". Liberty goes on to say (page 45) "it should be noted that
 3 only moderate reductions in these amounts will produce revenue requirements
 4 reductions equal to or greater than savings coming from combinations between the
 5 two companies." Consumer Advocates past and present have expressed concerns
 6 regarding rate base expansion and duplication and the upward trending of utility rate
 7 base but to no avail. Now that the PUB's own experts have identified a problem it
 8 is incumbent upon the PUB to address the same in the current Capital Budget
 9 Applications.

10 **Hydro's 2020 Capital Budget**

11
 12 19. There are 9 broad categories of capital projects included in the 2020 Capital Budget
 13 Application with a total allocated cost of \$108.5 million in 2020. Island Interconnected
 14 customer rates are under severe pressure and projects that do not relate to near-term safety
 15 and pose a threat to the environment or to major equipment damage should generally be
 16 deferred. Furthermore, Hydro is currently preparing a *Reliability and Resource Adequacy*
 17 *Study* which has not yet been fully received by the Board so its impact on the Capital
 18 Budget is not fully known. Neither is there a reasonable load forecast available which will
 19 be impacted significantly by the results of the rate mitigation initiative.

20
 21 20. Portions of the proposed capital work could be deferred by a couple of years, or at least
 22 spread out over a longer time frame, to reduce the near-term impact on rate base and
 23 customer rates. Also the Board could require the applicant utility to prioritize projects over
 24 a two or three year period. Obviously every project cannot be a priority. For a utility to
 25 state projects cannot be prioritized or cannot be deferred defies reason.

26
 27 21. Hydro's 2020 Capital Budget includes 67 projects at a cost of \$111.9 million (one project
 28 is the subject of a separate capital budget application). Of the 67 projects, 52 of the projects
 29 are new, and 26 of the projects were approved in previous capital budget applications. The
 30 Consumer Advocate notes that unlike Newfoundland Power, Hydro has prioritized projects
 31 across all categories of projects rather than only within each category of projects, and has

1 deferred projects in response to the severe rate pressures that customers are now facing. In
2 PUB-NLH-001 Hydro indicates that it has increased scrutiny of its 5-year capital spending
3 plan which has resulted in a decrease of 34%, or about \$250 million, from the 5-year capital
4 budget plan developed only two years ago. This has been taken into consideration in the
5 Consumer Advocate's review of Hydro's 2020 Capital Budget. Hydro must be given credit
6 for at least attempting to prioritize and defer given our current circumstances. Will
7 Newfoundland Power be directed to follow suit?

8
9 22. There is a direct connection between the expansion of rate base of the utilities and the
10 implementation of the 2005/2007 Guidelines. The Guidelines have served the utilities well
11 but not the ratepayers. Even with SADI and SAFI better than national and other provincial
12 averages the Board continues to allow the expansion of rate base. Ratepayers who have
13 paid for an already robust system are entitled to see an end to rate base expansion.

14
15 23. The PUB regulates only two utilities in this small jurisdiction. Adopting practices of other
16 Canadian jurisdictions may have no application here. There needs to be a return to some
17 form of mandatory hearings with sworn evidence and a requirement for independent expert
18 testimony on at least multi-million dollar project expenditures.

19
20 24. The Board has lost control of the capital budget process to the detriment of the ratepayers.
21 The Board has jurisdiction now to regain some control by deferring projects and requiring
22 the utilities to prioritize projects. This will assist in dealing with the current Capital
23 Budgets and should provide ratepayer relief until the guidelines are revamped.

24
25 25. **Generation:** This category of capital expenditures accounts for \$20.7 million in 2020, or
26 about 19.1% of the total 2020 capital budget.

27
28 a. Generation – Hydro: Hydro plant projects account for \$11.9 million in 2020. These
29 projects relate primarily to sustaining hydro generation assets, particularly Bay
30 d'Espoir, and addressing in-service failures. There are no stand-alone hydro
31 generation projects. Although expenditures on this project are greater than in recent
32 years, the Consumer Advocate is satisfied given that Hydro's primary purpose is
33 generation – that 2020 expenditures are reasonable.

34
35 b. Generation – Thermal: Expenditures in 2020 at \$11.3 million are lower than in
36 recent years and relate mainly to conversion of Holyrood Unit 3 to synchronous

condenser operation. The Consumer Advocate is satisfied that 2020 expenditures are reasonable. However, the Consumer Advocate remains concerned that expenditures at Holyrood could increase substantially following approval of the *Reliability and Supply Adequacy Study* as there may be a need to extend operation beyond the 2020/2021 winter period. Any expenditures made at Holyrood should be subject to check and verification by a qualified consultant or expert to ensure that the proposed expenditures are reasonable in the circumstances.

- c. Generation – Gas Turbines: Expenditures in 2020 at \$5.0 million are lower than in recent years and relate mainly to the Holyrood and Happy Valley gas turbines. The Holyrood and Happy Valley gas turbine work is required primarily for safety and to meet manufacturer recommendations. The Consumer Advocate is satisfied that these expenditures are reasonable. However, as noted, the Consumer Advocate remains concerned that expenditures on gas turbines could increase substantially following approval of the *Reliability and Supply Adequacy Study* as there may be a need to extend operation of Stephenville and Hardwoods beyond the 2020/2021 winter period. Also prior to any expenditures Hydro should check to determine if Federal funds will be available now or in the immediate future which would allow funding for the displacement of thermal generation. This comment also applies to work on Hydro’s 24 diesel generation stations as referenced in the paragraph below. There appears to be a Federal plan to displace diesel generating stations in the next number of years as referenced in the Government manifesto during the recent election. If these funds are going to be available in the future, Hydro should spend cautiously now.

26. **Transmission and Rural Operations:** This category includes Hydro’s 24 diesel generating stations, 20 of which are isolated, transmission lines and terminal stations and distribution lines. Transmission and rural projects account for the majority of Hydro’s capital expenditures at \$81.3 million, almost 75% of the total 2020 budget.

- a. Terminal Stations and Transmission: This project includes the 2019-20 terminal station rehabilitation and modernization project, the purchase of a mobile substation, the replacement of a failed transformer and the purchase of SF₆ multi-analyzers. The Consumer Advocate supports most expenditures included in this project, but is not convinced that a new mobile substation is needed at this time when customer rates are under severe pressure.
- b. Distribution and Rural Generation: This project includes roof replacement at L’Anse au Loop and St. Anthony diesel plants, upgrades to plant ventilation at the Nain diesel plant and replacement of the fuel storage tank at Charlottetown. It also includes projects for meeting load growth requirements at Makkovik and Hopedale and the diesel plant fire protection project with Charlottetown planned to start in 2020. Hydro notes that the previously approved Black Tickle project was cancelled based on a reassessment of priorities. The project also includes diesel unit overhauls and replacements. Again the Federal commitment to replace diesel in isolated areas with environmentally friendly generation must be considered prior to these

1 expenditures Hydro should inform the Board of where these Federal plans are at
 2 the present time and how soon they can be accessed for funding. This project also
 3 includes the Upgrade Distribution Systems and Provide Service Extensions project
 4 and the Distribution Systems Upgrade project. The Distribution Systems Upgrade
 5 project includes replacement of four of Hydro's worst performing feeders in 2020.
 6 The Consumer Advocate is not convinced that these feeders require replacement at
 7 this time when customers are facing severe rate pressures. Ratepayers have already
 8 paid for robust maintenance of these systems and maintenance as opposed to
 9 replacement is advocated.

- 10
 11 c. Properties: Hydro's facilities require capital upgrades from time to time under its
 12 Upgrade Line Depots project. In 2020 the project will focus on line depots in
 13 Burgeo and Fogo Island, and upgrades to the fire suppression system at the Bishop's
 14 Falls regional office. The Consumer Advocate takes no exception to this project if
 15 safety is the underlying consideration.

16
 17 27. **General Properties:** This category accounts for \$5.5 million of Hydro's 2020 capital
 18 budget, or 5.1%. This category includes 26 projects related to information systems, vehicle
 19 replacements, telecommunications system replacements, and an upgrade to elevator motors
 20 and control equipment at Hydro Place.

- 21
 22 a. Transportation: Hydro proposes to replace 39 pieces of light- and heavy-duty
 23 equipment that will meet its replacement criteria that it has established to ensure
 24 availability as and when required. The Consumer Advocate recommends that the
 25 Board order a common set of criteria to be used by Hydro and Newfoundland Power
 26 for vehicle replacements. The Consumer Advocate believes that the utilities would
 27 find ways to extend the life of vehicles if they were under a performance-based
 28 regulatory regime. These vehicles have been maintained by ratepayers and there is
 29 no evidence of unuseability - rather there appears to be a preference for new
 30 purchases. Any new purchases require independent verification which is not
 31 present here.
- 32
 33 b. Information Systems: These projects aim to maintain Hydro's computing capacity
 34 and infrastructure, such as software upgrades and replacements of personal
 35 computers and peripherals. The Consumer Advocate takes no exception to these
 36 expenditures, but believes that costs could be reduced if Hydro and Newfoundland
 37 Power took a common approach and leveraged their combined buying power. It is
 38 incumbent upon the Board to state that ratepayers can no longer be responsible for
 39 purchasing and maintaining separate information systems for the two utilities.
 40 There should be a common approach for the benefit of ratepayers. This duplication
 41 is an unacceptable expenditure. If a utility requires its own system, the utility
 42 should pay the cost of the same.
- 43
 44 c. Telecontrol: This project relates primarily to enabling communications across
 45 Hydro's broad network of facilities across the Province. The Consumer Advocate
 46 takes no exception to this project but again notes that there may be economies

1 gained by combining Hydro and Newfoundland Power activities in this area. The
2 Board's policy should clearly state that duplication is an unacceptable avenue and
3 the utility should be directed accordingly.
4
5

6 28. The Consumer Advocate is generally satisfied that Hydro has developed a capital budget
7 plan that maintains reliable service at a time when customer rates are under severe
8 pressures. However, there remains cost cutting possibilities as identified above that should
9 be pursued during these difficult times. The Consumer Advocate believes that work should
10 be limited to that required to address near-term safety and environmental concerns, or that
11 could result in major equipment damage. We agree with Hydro's proposal in its December
12 4, 2019 submission on Newfoundland Power's 2020 Capital Budget Application that "*a*
13 *comprehensive review of the capitalization practices of both Newfoundland Power and*
14 *Hydro with respect to generally accepted sound public utility practice would benefit*
15 *ratepayers and promote least-cost service in Newfoundland and Labrador*". We also
16 believe that with respect to wood pole line management, a "*test and treatment program is*
17 *sound utility practice*" as stated by Hydro. The Consumer Advocate believes that a review
18 of the wood pole management practices of the two utilities should be undertaken to
19 determine best practices and if there can be economies gained from combining the program
20 under one utility.

21
22 29. In response to IC-NLH-006, 007 and 008, Hydro indicates that at future Capital Budget
23 Applications:

- 24
25 a. It intends to provide an overview of the review process it undertakes regarding the
26 assessment of deferral opportunities;
27 b. It will analyze how it can assess and report on non-deferral capital cost savings;
28 and
29 c. It will include a computation of the total revenue requirement impact of proposed
30 capital additions.

31
32 The Consumer Advocate supports Hydro's proposed additions to the capital budget
33 reporting process and recommends these be included in the ongoing review of the Capital
34 Budget Guidelines. (NP has offered nothing to the ratepayers by way of deferral or
35 prioritization.)
36

1 30. Hydro confirms in its response to CA-NLH-031 that it has commenced communications,
 2 and is committed to further communications, with Newfoundland Power on joint
 3 procurement opportunities and limitations that may exist. The Consumer Advocate
 4 supports this effort and requests the Board to set timelines for the completion of this process
 5 prior to accepting new capital budget applications from NP or Hydro.

6 7 **Summary and Conclusion** 8

9 31. Parts of Hydro's 2020 Capital Budget Application are incomplete as Capital Budget
 10 Guidelines have not always been followed. The supporting information for classifying
 11 capital expenditures as mandatory includes:

- 12
13 a. On what basis the expenditure is mandatory;
 14 b. All reasonable alternatives, where available, and the reason this particular
 15 alternative was chosen; and
 16 c. Whether the proposed expenditure is the least cost reasonable alternative and if
 17 not why it was chosen.
18

19 Under "Normal Capital" the required supporting information is as follows:

- 20
21 a. There is evidence of the need; i.e., historical spending patterns, maintenance
 22 history, reliability data, growth;
 23 b. All reasonable alternatives, including deferral, have been considered;
 24 c. The expenditure as proposed is the least cost option;
 25 d. Unit and/or aggregate cost data including, where available, similar costs for the
 26 preceding five (5) years; and
 27 e. Net present value (NPV).
28

29 Under "Justifiable Expenditures", the utility must show:

- 30 a. All reasonable alternatives, including deferral, have been considered; and
 31 b. The expenditure will provide tangible benefits to ratepayers, such as information
 32 showing a positive NPV, or the proposed resolution to an identified deficiency.
33

34 Applications without this relevant information should be considered incomplete.
35

36 32. Where there is no history of annual maintenance expenses capital budget applications are
 37 lacking relevant information. Where there is no evidence on the history of reliability and
 38 outages related to various projects relevant information is missing from the application.
 39 This data matters.

1
2 33. With a declining and aging population and with the introduction of the costs associated with
3 Muskrat Falls, affordable electricity is the issue. With flat sales on the Island it will be
4 difficult for expansive utility annual capital budget expenditures to remain sustainable.

5
6 In its Reference to the PUB the Government stated:

7
8 *Government's position is that the projected rate increases associated with*
9 *Muskrat Falls Project are not acceptable. Without intervention these projected*
10 *rate increases would likely cause financial hardship for customers and all*
11 *classes on the island portion of Newfoundland and Labrador (the*
12 *"Ratepayer"). With the assistance of the Board the Government of*
13 *Newfoundland and Labrador wishes to examine options to reduce the impact*
14 *of the Muskrat Falls Project on rates.*

15
16 The Board commissioned Liberty and Synapse to provide reports including any evidence
17 of duplication between the two utilities from which ratepayers could achieve cost savings.
18 As referenced previously, Liberty has indeed concluded that even moderate reductions in
19 capital budget expenditures will produce reductions equal to or greater than savings coming
20 from combinations between the two companies. The Reference issues are still in process.
21 These expansive capital budget expenditures are unreasonable and untimely.

22
23 34. In conclusion, the PUB Policy Statement on Capital Budget Guidelines states:

24
25 *III. POLICY STATEMENT*

26 *In fulfilling its mandate with respect to the supervision of the capital*
27 *expenditures of a utility, the Board balances the interests of consumers and the*
28 *utility in the context of the applicable legislative provisions. In balancing these*
29 *interests the Board is committed to the efficient and effective review and approval*
30 *of expenditures in keeping with the provision of least cost reliable service.*

31
32 Ratepayers recognize that Hydro's 2020 Capital Budget cannot be dealt with routinely.
33 This is not a business as usual time in the Province. The ratepayers of the Province are
34 requesting the PUB in this Capital Budget Application to be guided by its own policy to
35 ensure that there is indeed a balance of the interests of ratepayers and the utility.

36
37 35. It is not good enough for a utility which is seeking millions of dollars in ratepayer money to
38 state that Intervenors, including the Consumer Advocate, have not presented contrary

1 evidence. In order for intervenors, including the Consumer Advocate, to submit expert
2 evidence, we would need to hire experts to review each and every project in the capital budget
3 application. This would be prohibitively time consuming and expensive and really an
4 impossible task given the relatively brief timeframe set between the filing of a Capital Budget
5 Application and the end of the calendar year. A utility can always justify nearly any
6 expenditure on the basis that it is responsible for providing reliable power at least cost. This
7 is a very subjective, if not, self-serving requirement. Neither the intervenors, nor in fact the
8 Board, have the time to hire experts to verify such claims. Clearly, the current capital budget
9 guidelines and time frames and lack of independent verification need revisiting. However,
10 ratepayers would expect independent verification by experts employed by the Board or
11 intervenors prior to the award of any funding for a particular capital project.

12
13 36. Further, the guidelines do not address the difficult economic times in which ratepayers find
14 themselves owing to the Muskrat Falls Project. There is a disconnect between utilities and
15 ratepayers. These Applications come after the day when the province announced on December
16 11, 2019 the Province's Key Economic Indicators site GDP growth of 3.1% down from 4.1%
17 in 2019 budget, retail sale shrink by 1.6% down from 0.9% growth projected, housing starts
18 826 down from 1,117 projected, capital investment \$9.4 billion down from \$11.3 billion
19 projected, population 521,500 down from 524,300 projected all requiring borrowing of in
20 excess of \$944 million to meet current account. These economic indicators are figures of
21 which the Board should take note. These do not include the rate mitigation amounts which
22 will be required to continue to make electricity affordable for ratepayers.

23
24 37. Utilities cannot be allowed to be oblivious to economic reality. This is the wrong message to
25 send to ratepayers who already are looking to other forms of energy to heat their homes given
26 what ratepayers fear will transpire in rates. The abandonment of electric heat systems by
27 ratepayers is something which should concern everyone. Ratepayers need a timely message
28 from the Board in reference to these capital budget applications. This submission and the
29 previous NP submission provide the ways the Board can effectively balance the interests of
30 the ratepayers with those of the utility and to assure ratepayers that something is being done to
31 address this very serious situation.

DATED at St. John's, Newfoundland and Labrador, this 13th day of December, 2019.

A handwritten signature in blue ink, appearing to read "Dennis Browne", is written over a horizontal line.

Dennis Browne, Q.C.

Consumer Advocate

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