

## NEWFOUNDLAND AND LABRADOR

## **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

E-mail: dfoley@newfoundlandpower.com

2021-09-07

Dominic Foley Corporate Counsel Newfoundland Power Inc. 55 Kenmount Road, P.O. Box 8910 St. John's, NL A1B 3P6

Dear Mr. Foley:

Re: Newfoundland Power Inc. – NP 2022-2023 General Rate Application Requests for Information

Enclosed are Requests for Information PUB-NP-094 to PUB-NP-114 regarding the above-noted application.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn, by email, jglynn@pub.nl.ca or telephone (709) 726-6781.

Sincerely,

Cheryl Blundon
Board Secretary

CB/cj

ecc Newfoundland Power Inc.

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1	<b>IN THE MATTER OF</b> the <i>Public</i>
2	Utilities Act, (the "Act"); and
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5	<b>IN THE MATTER OF</b> a general rate
5	application by Newfoundland Power Inc.
5 7	application by Newfoundland Power Inc. to establish customer electricity rates for 2022 and 2023.

## PUBLIC UTILITIES BOARD REQUESTS FOR INFORMATION

PUB-NP-094 to PUB-NP-114

Issued: September 7, 2021

1 **PUB-NP-094** Further to the response to PUB-NP-001, Attachment A, page 95, describe the 2 job responsibilities and duties of the Manager Regulation and the Manager 3 Regulatory Affairs. 4 5 **PUB-NP-095** Further to the response to PUB-NP-003, Newfoundland Power has 6 consistently since 2016 earned more than the return on equity approved by the 7 Board. How was this achieved and what conclusion, if any, can be drawn from 8 this? 9 10 **PUB-NP-096** Further to the response to PUB-NP-005, re-state Table 1 to show the amount in each category attributable to the proposed increase in the return on equity 11 12 Newfoundland Power is proposing in this Application. 13 14 **PUB-NP-097** Further to the response to PUB-NP-014, footnote 3, provide a breakdown of 15 all costs that make up the increase in regulatory labour costs of \$325,000. 16 17 **PUB-NP-098** Further to the response to PUB-NP-022 and Table 2-11 on page 2-37 of the Application, Newfoundland Power states that operating labour costs are 18 19 forecast to increase by approximately 2.1% annually over the period 2019-20 2023, however, the Company's annual labour rate inflation is 3.1% over this period which implies an efficiency of 1% per year. According to Table 2-11, 21 22 this appears to primarily be due to the decrease in operating labour costs in 2021F as compared to 2020. Provide the details contributing to the decrease in 23 24 operating labour costs in 2021F as compared to 2020. 25 26 **PUB-NP-099** Further to PUB-NP-098, operating labour costs are forecast to increase by 27 3.15% in 2022F as compared to 2021F and 3.0% in 2023F as compared to 2022F. How is this consistent with the statement that there is a 1% efficiency 28 29 each year? Are there any additional operating efficiencies included in labour 30 costs in 2022F and 2023F? 31 32 **PUB-NP-100** Further to the response to PUB-NP-030, rates of return on equity (ROE) 33 ranging from 8.5% to 9.80% with common equity ratios of 45%, 44%, 43% 34 and 42% all generate cash flow to debt coverage within the range the response 35 states at page 3, line 5-11 that Moody's expects. At lines 27-28 on page 3 Newfoundland Power states that "reducing the 45% common equity ratio 36 represents a risk to maintaining its existing credit ratings". Given the credit 37 38 metrics shown in PUB-NP-029 at the existing 8.5% ROE and higher ROEs 39 with common equity ratios of 44%, 43% and 42% as well as the existing 45%, 40 explain what, in Newfoundland Power's view, is the degree of risk that would arise for maintaining its credit rating if the common equity ratio is reduced 41 slightly to say 43% and the existing approved ROE of 8.5% is maintained for 42 43 setting rates based on the 2023 test year. 44 45 **PUB-NP-101** Further to the response to PUB-NP-033, re-state Table 1, which already 46 includes a reduction in the return on equity to 8.5%, to show the pro forma 47 2022 and 2023 revenue requirements and customer rate impacts with common 48 equity ratios of 43% and 40% after the inclusion of the increases in the cost of

debt arising from re-financing to reduce the common equity from 45%. In the

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1 response include the assumptions used to forecast the increased cost of debt in 2 this scenario. 3 4 **PUB-NP-102** Further to PUB-NP-101 re-state the credit metrics shown in the response to 5 PUB-NP-029 to reflect the additional cost of borrowing incurred to reduce the 6 common equity to 43%. 7 8 **PUB-NP-103** Further to the response to PUB-NP-037, does Newfoundland Power believe 9 that the July 2021 agreement in principle announced for the restructuring of 10 the Muskrat Falls Project, which includes a rate mitigation target, reduce the business risks associated with the Muskrat Falls Project it has identified in the 11 12 Application? If yes, is the reduction material or insignificant in Newfoundland 13 Power's opinion? 14 15 **PUB-NP-104** Further to the response to PUB-NP-039, page 3, lines 36-40, has 16 Newfoundland Power not achieved its approved return on equity (ROE) in any year since 2010 due to the inclusion of costs arising from severe weather 17 events? If yes, provide the approved ROE and the actual ROE for each year 18 19 that the approved ROE was not achieved. 20 21 **PUB-NP-105** Further to the response to PUB-NP-045, is, in Newfoundland Power's 22 opinion, the Ontario Energy Board's automatic adjustment formula appropriate to apply to determine Newfoundland Power's return on equity 23 24 (ROE) between general rate applications? If it were used what would be the 25 ROE for Newfoundland Power for 2021? 26 27 Further to the response to PUB-NP-050, footnote 81 on page 2-36 of the **PUB-NP-106** Application says that a director position and an analyst position were created 28 29 and contribute to the increase in corporate and employee services from 2019 30 to 2023. Table 1 in the response to PUB-NP-050 provides the breakdown of the forecast increase in FTEs for the same period, however, these two 31 32 positions are not listed as new positions created or included in the category of Other in Table 1. Explain why these two positions are not included as part of 33 34 the explanation of the increase in FTEs in the period 2019-2023. 35 36 **PUB-NP-107** Further to the response to PUB-NP-050, are the labour costs for customer electrification programs included in the costs of the program and treated the 37 38 same as other program costs or are they accounted for through operating 39 labour costs? 40 41 **PUB-NP-108** Further to the responses to PUB-NP-052 and CA-NP 013, state whether the five utilities that use statistical regression models to forecast peak demand are 42 primarily distribution utilities, transmission utilities or generation utilities or 43 44 some combination thereof. Does the type of utility and the purpose for which the forecast is being used, such as capacity planning or energy growth, 45 influence the selection of the appropriate load forecasting methodology? 46 47 48 **PUB-NP-109** Further to PUB-NP-108, has Newfoundland Power considered whether it is

appropriate to switch to statistical regression modelling to forecast its peak

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1 2 3 4		demand to make it consistent with Newfoundland and Labrador Hydro's approach? If yes, explain the advantages and disadvantages of switching. If not, why not?
5 6 7 8	PUB-NP-110	Further to the response to PUB-NP-060, what would be the impact on customer rates if a deferral account is used to offset the impact of the proposed change in capitalizing pension costs?
9 10 11 12 13 14	PUB-NP-111	Further to the response to PUB-NP-060, it is stated that the amortization period, if implemented, would commence on March 1, 2022, however Newfoundland Power proposes that the change in treatment in capitalizing pension costs not commence until January 1, 2023. Is it appropriate to commence amortization before the change in treatment?
15 16 17 18 19 20	PUB-NP-112	Further to the response to PUB-NP-085, in Mr. Coyne's opinion, does the July 2021 announcement on a rate mitigation plan to reduce the cost pressures on electricity rates arising from the Muskrat Falls Project reduce to any degree at all Newfoundland Power's business risks or are they exactly the same as before the announcement?
21 22 23 24 25 26 27	PUB-NP-113	Further to the response to PUB-NP-088 in which Mr. Coyne explains why 45% is the minimum appropriate common equity, explain how a slight reduction in Newfoundland Power's common equity to 44% or 43% and the maintenance of a return on equity which would permit the company to maintain its credit metrics within a range to support its current credit rating as can be seen in the response to PUB-NP-029 would also not be appropriate.
28 29 30	PUB-NP-114	Further to the response to PUB-NP-092, why in Mr. Coyne's opinion is the Ontario Energy Board's automatic adjustment formula not be appropriate for implementation for Newfoundland Power?

**DATED** at St. John's, Newfoundland this 7<sup>th</sup> day of September, 2021.

## BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Per

Cheryl Blundon
Board Secretary