

IN THE MATTER OF the *Public Utilities Act*,
R.S.N.L. 1990, Chapter P-47, as amended (the
“Act”); and

IN THE MATTER OF an Application by
Newfoundland and Labrador Hydro for the
approval, pursuant to Sections 70 (1) and 76 of
the Act, of the Rate Stabilization Plan
components of the rates to be charged to
Industrial Customers.

To: Board of Commissioners of Public Utilities

**Suite E210, Prince Charles Building
120 Torbay Road
P.O. Box 12040
St. John’s, NL A1A 5B2
Attention: Ms. G. Cheryl Blundon,
Director of Corporate Services and Board Secretary**

- 1 CA-NLH-01 Please provide monthly actual and forecast oil prices for fuel burned at
2 Holyrood for the period January 2007 through December 2012 inclusive.
3 Please show the marginal cost of production at Holyrood based on these oil
4 prices for the same period.
- 5 CA-NLH-02 What percentage of the time is Holyrood expected to be the marginal plant
6 in 2009 through 2012 in light of the decrease in Industrial Customer demand?
- 7 CA-NLH-03 Please provide for the period 2007 through 2012 the current and forecast cost
8 of supply to the Industrial Customers and Hydro’s other customers based on:

- (a) Embedded cost of service; and
- (b) Marginal cost of service.

CA-NLH-04 Please provide the forecast average rates (cents/kWh) for the ICs and Newfoundland Power for the period 2009 through 2012 both with and without the RSP assuming the load variation component of the RSP is allowed to accumulate. Please provide the RSP data with the load variation component shown separately.

CA-NLH-05 The report entitled Review of Industrial Customer Rate Design dated February 5, 2008 states the following (page 3):

Depending upon the method used to calculate block sizes, the load variation provision of the Rate Stabilization Plan may no longer be required. This will be considered as part of the ongoing Rate Stabilization Plan review.

Why would the load variation provision be continued and under what circumstances? Have the Industrial Customers expressed the desire to continue the load variation provision? If so, please provide supporting documentation

CA-NLH-06 The objectives of the RSP review include, among others (see review of the Rate Stabilization Plan dated May 31, 2007):

- To provide for fair apportionment of costs among the customers impacted by the RSP; and

- To mitigate material intergenerational equity concerns.

Is Hydro's proposal to finalize IC rates consistent with the first objective, and is "holding in abeyance" the load variation component surplus of the RSP consistent with the second objective? If Hydro believes they are consistent, please provide support, and if Hydro believes they are inconsistent, what does Hydro propose to address the inconsistencies and when?

CA-NLH-07 Please confirm that the RSP and IC Rate Reviews were scheduled for completion by January 1, 2008. Why are these studies not yet completed? What is the current schedule and status for completion?

CA-NLH-08 If the IC rates had been implemented as proposed in the IC Rate Review, would there now be any balance in the load variation component of the RSP (assuming implementation on January 1, 2008)? If so, how would such balances be dealt with? For example, would surpluses in the load variation component owing to significant changes in IC demand be handled through an over-earnings mechanism? If handled through an over-earnings mechanism, how would the funds be allocated to ICs and Hydro's other customers?

CA-NLH-09 Please provide all information that has become available in the past six months upon which Hydro has based its decision to finalize IC rates.

CA-NLH-10 When does Hydro intend to undertake an updated cost of service study?

1 CA-NLH-11 When does Hydro intend to file its next rate application?

2 CA-NLH-12 In light of significant changes in IC demand, is it feasible to update the cost
3 of service study without updating all financial and technical information as
4 would be the case in a rate application?

5 CA-NLH-13 Hydro states "Although the attached Application does not contain any
6 proposed changes, the Board may wish to consider suspension of the existing
7 load variation allocation rules and holding in abeyance current and future
8 load variation amounts until such time as Hydro can develop a proposal to
9 address the current anomalies in the RSP. Hydro anticipates that an
10 application with regard to the RSP load variation can be made prior to the
11 end of 2009."

12 (a) What specifically is Hydro recommending to the Board with regard
13 to load variation allocation rules and treatment of current and future
14 load variation amounts?

15 (b) On what basis would it be appropriate to freeze rates?

16 (c) In light of the significant impact on customers and inter-generational
17 equity concerns associated with the \$16.1 million balance in the RSP
18 owing to the load variation component, why is Hydro not
19 recommending changes to the RSP at this time?

20 (d) Is it appropriate for the Board to consider this application without
21 dealing with the load variation allocation rules and the allocation of
22 current and future load variation amounts? If so, please provide
23 support.

- 1 (e) What are the repercussions of dealing with these issues in the future
2 rather than the present?
- 3 (f) Is Hydro of the opinion that the \$16.1 million balance in the RSP
4 should be shared between the ICs and Hydro's other customers? If so,
5 please provide the basis for such sharing.
- 6 (g) Please provide information submitted by the ICs in the past several
7 years indicating their agreement that the RSP balance owing to
8 significant changes in IC load should be shared with Hydro's other
9 customers.
- 10 (h) What other options are available to establish a cost-based rate for the
11 ICs excluding the influence of the load variation provision?

12 CA-NLH-14 Please provide a forecast of the load variation component of the IC rate for
13 each month of the next three years if it is held in abeyance.

14 CA-NLH-15 Please provide in tabular format the RSP balances in the IC and Retail Rate
15 Plans if the balances resulting from load variations are shared based on 12-
16 month cumulative energy use effective July 1, 2009 for each of the following
17 18 months at year-end 2009, 2010 and 2011.

18 CA-NLH-16 Is Hydro proposing that Teck Cominco be allocated a share of current and
19 future balances in the RSP account? If so, on what basis?

20 CA-NLH-17 Was the load variation component of the RSP designed to deal with
21 significant loss or gain of Industrial Customer load between test cases? If so,
22 please provide supporting documentation.

1 CA-NLH-18 Is the load variation component of the RSP being allocated to Hydro
2 customers differently than it would be in a test year of a rate application?
3 Please explain the differences between the allocation of the load variation
4 component in test years versus between test years.

5 CA-NLH-19 Please provide isolated historic growth in the balance associated with the
6 load variation component of the RSP since the IC rates became interim.
7 Further, please provide in tabular form the pro-forma historic RSP balances
8 in the IC and Retail Rate Plans related to the load variation component if the
9 balances were shared based on 12-month cumulative energy use from the
10 initial interim date of IC rates.

DATED at St. John's, in the Province of Newfoundland and Labrador, this 20th day of July,
2009.



Thomas Johnson
Consumer Advocate
323 Duckworth Street
St. John's, NL A1C 5X4
Telephone: (709)726-3524
Facsimile: (709)726-9600
Email: tjohnson@odeaearle.nf.ca