NEWFOUNDLAND POWER
A FORTIS COMPANY

Newfoundland Power Inc.

55 Kenmount Road
PO Box 8910
St. John's, Newfoundland
A1B 3P6
Business: (709) 737-5600
Facsimile: (709) 737-2974
www.newfoundlandpower.com

HAND DELIVERED

October 14, 2009

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

Attention: G. Cheryl Blundon
Director of Corporate Services
and Board Secretary

Ladies & Gentlemen:

RE: Newfoundland and Labrador Hydro – Application for approval of the Rate Stabilization Plan components of the rates to be charged to Industrial Customers

Enclosed are Newfoundland Power's Requests for Information NP-IC-1 to NP-IC-16.

For convenience, the Requests for Information are provided on three-hole punched paper.

A copy of this letter, together with enclosures, has been forwarded directly to the parties listed below. An electronic copy in Adobe format will follow.

Yours very truly,

Gerard Hayes
Senior Counsel

Enclosures

c. Geoff Young
Newfoundland and Labrador Hydro

Joseph Hutchings, Q.C.
Poole Althouse

Paul Coxworthy
Stewart, McKelvey, Stirling, Scales

Tom Johnson
Consumer Advocate

IN THE MATTER OF
the Public Utilities Act (R.S.N.L. 1990,
Chapter P-47 (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.

Newfoundland Power
Requests for Information

NP-IC-1 to NP-IC-16

Issued: October 14, 2009

NEWFOUNDLAND POWER
A FORTIS COMPANY

1. RSP Objectives

Page 7 of Attachment 1 to response to Request for Information NP-NLH-2 provides the RSP objectives agreed to by all parties to the 2007 RSP Review (i.e., Newfoundland Power, the Industrial Customers, the Consumer Advocate and Hydro). These objectives are provided below:

1. *To provide acceptable levels of rate and revenue stability for customers and Hydro;*
2. *To provide for regulatory efficiency by allowing changes in rates to recover changes in prudently incurred fuel costs without requiring a general rate proceeding;*
3. *To provide for timely changes in rates and avoid material changes in the price signal that would promote inappropriate consumption decisions by customers;*
4. *To provide for fair apportionment of costs among the customers impacted by the RSP;*
5. *To mitigate material intergenerational equity concerns;*
6. *To provide ease of understanding; and*
7. *To provide for ease and efficiency of administration.*

No provisions in the RSP should provide an incentive to Hydro or its customers to operate in a manner that is inconsistent with the least cost power policy of the Province and generally accepted sound utility practice.

For the responses to the questions NP-IC-1 to NP-IC-4, assume a continuation of the load variation component in the RSP. Also, base the response to each question on the potential rate impacts of transfers to or from the RSP that can result from material changes in IC load requirements on account of significant changes to their business or output.

NP-IC-1

Does Mr. Bowman believe that the use of Hydro's recommended cost of service approach or the current RSP assignment approach in the load variation component would provide more reasonable levels of customer rate stability?

NP-IC-2

Does Mr. Bowman believe that the use of Hydro's recommended cost of service approach or the current RSP assignment approach in the load variation component is more likely to result in a price signal that would promote inappropriate consumption decisions by customers?

NP-IC-3

Does Mr. Bowman believe that the use of Hydro's recommended cost of service approach or the current RSP assignment approach in the load variation component is more likely to provide for fair apportionment of costs (i.e., Board approved embedded costs) among customer classes?

NP-IC-4
Based upon the RSP objectives, does Mr. Bowman believe that the RSP is operating as intended over the period 2007 to present? Please provide the basis for the response.

2. Testimony References

NP-IC-5
Page 2: "*Overpayment of Historical RSP*" The RSP factor for the period from January 1, 2008 to June 30, 2009 of -0.785¢ per kWh is the combined effect of the Historical Plan factor of 1.215¢ per kWh and the Current Plan factor of -2.000¢ per kWh.

Please confirm that the -2.000¢ per kWh Current Plan factor was based upon the historical balance in the Current Plan at December 31, 2006 that was scheduled for disposition over the period January 1, 2007 to December 31, 2007.

NP-IC-6
Page 2:"*The remaining RSP balance to the end of 2009 (approximately $20.21 million) reflects amounts properly assigned to the IC plan. The amounts in question (primarily related to load variation) are true and verifiable savings to Hydro's system. The savings only arise as a result of IC customers class load changes, not those of the other classes, consistent with established RSP principles.*"

Please provide the established RSP principles to which Mr. Bowman refers. How do the RSP principles relate to the RSP Objectives agreed to in the RSP Review?

NP-IC-7
Page 7: "*The current balance in the RSP, similar to many other times in the past with regard to IC RSP balances, represents a future liability or asset that IC customers have an established, approved and well-founded expectation of being fulfilled.*"

Given that the balance in the RSP since the end of 2007 has accumulated under an IC RSP Adjustment that was approved on an interim basis, please explain the basis for the conclusion that the current IC RSP balance has been approved.

NP-IC-8
Page 7: "*The current balance in the RSP, similar to many other times in the past with regard to IC RSP balances, represents a future liability or asset that IC customers have an established, approved and well-founded expectation of being fulfilled.*"

Indicate whether the Industrial Customers include their estimated portion of IC RSP balances as a future liability or an asset in their financial statements.

NP-IC-9
Page 9: In discussing changes to the RSP, approved in Order No. P.U. 7 (2002-2003), Mr. Bowman stated "*The Board did not elect to reallocate past balances between customer groups.*"

Confirm that the RSP Adjustment in effect immediately prior to the issuance of Order No. P.U. 7 (2002-2003) was not approved on an interim basis.

NP-IC-10
Page 11 "*...it is the Teck rate that is the last properly reviewed and structured RSP rate...*"

Please explain the above statement given that the -2.000¢ per kWh RSP Adjustment for Teck was based upon the historical balance of the Current Plan at December 31, 2006 that was scheduled for disposition over the period January 1, 2007 to December 31, 2007. Why does Mr. Bowman conclude the -2.000¢ per kWh is the appropriate RSP Adjustment for 2008?

NP-IC-11
Page 11 "*...reallocating past and ongoing residual IC RSP balances to NP has no basis in the RSP principles, as agreed to by customer groups and approved by the Board.*"

Does Mr. Bowman agree that the interim approval of customer rates generally results in a further review of their appropriateness by the Board, prior to the provision of final approval of customer rates by the Board? If not, why not?

NP-IC-12
Page 11 "*...risk is shouldered bi-directionally...*"
Given that Mr. Bowman believes that the savings that have resulted from IC load reductions since 2006 are properly assignable to the IC Plan, does Mr. Bowman also believe that additional costs that would result from the addition of a new Industrial Customer prior to Hydro's next GRA are also properly assignable to the IC Plan? To assist in Mr. Bowman's response, response to Request for Information NP-NLH-8 provides the projected impact on the IC Plan of Vale Inco requiring its full load prior to Hydro's next general rate application.

NP-IC-13
Page 3: "*...the closure of Albright and Wilson and of Royal Oak mines led to ongoing charges to the IC RSP...*"

Albright and Wilson and Royal Oak Mines discontinued operations in 1998. Based upon the RSP Activity Reports, the RSP transfers to the load variation component for the period 1998 to 2001 were based upon a Holyrood mill rate used in the RSP of 2.066¢ per kWh and the Large Industrial energy mill rate of 2.167¢ per kWh (a difference of 0.101¢ per kWh to compute the load variation transfer).

The total test year forecast sales to Albright and Wilson and Royal Oak Mines was 21.5 GWh or 1.7% of the total IC forecast test year load requirements of 1,249,200 GWh. A load reduction of 21.5 GWh times 0.101¢ per kWh results in an annual RSP load variation transfer of approximately $22,000. Is this the load variation transfer Mr. Bowman is referring to in his testimony?

NP-IC-14
For the current production shutdowns in the pulp and paper industry, forecast sales to the IC class for 2009 and 2010 are approximately 50% of 2007 test year. The RSP transfers to the load variation component are based upon a Holyrood mill rate of 8.805¢ per kWh and the Industrial energy mill rate is 3.676¢ per kWh (a difference of 5.129¢ per kWh to compute the load variation transfer).

Given the magnitude of the differences in load variations (1.7% vs. 50%) and the magnitude of the differences between the test year fuel cost and the energy mill rate (i.e., 0.101¢ per kWh vs. 5.129¢ per kWh), does Mr. Bowman consider the IC class customer rate impacts of the RSP load variation transfers resulting from the customer shutdowns of Albright and Wilson and Royal Oak Mines comparable to the potential customer rate impacts resulting from load variations being considered in the current application?

NP-IC-15
Page 10: "*Prior to 2003, the effect of the load variation provision was that each customer class was at risk from load changes in all classes (for IC, load changes in other individual IC members, plus NP load changes). Intervenors in that proceeding objected to this risk distribution...*"

Which intervenor(s) in the above proceeding objected to the mechanics of the load variation provision under the pre-2003 methods, and in what form did they object (testimony, etc.)? Also explain the basis for the objection.

NP-NLH-16
Page 13: "*This continued form of intra-class risk sharing into the future is not advised, and is properly addressed by eliminating the load variation provision of the RSP at Hydro's next full GRA rate review.*"

Please clarify what Mr. Bowman is recommending with respect to the load variation provision. In the explanation, please address the following:

(i) Is Mr. Bowman assuming a change in the IC rate design as indicated in the IC Rate Design Report provided in response to NP-NLH-6?
(ii) What is Mr. Bowman recommending to ensure Hydro achieves reasonable cost recovery in supplying a new Industrial customer between test years?
(iii) Why should the Board wait for Hydro's next GRA to approve a change in the RSP?