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HAND DELIVERED

March 19, 2010

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

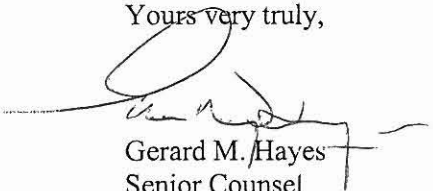
Ladies & Gentlemen:

**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-NLH-23 to NP-NLH-38 in relation to the above noted Application. 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 M. 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

Colm St. Roch Seviour  
Abitibi Consolidated



Join us in the fight against cancer.

**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.

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**Newfoundland Power  
Requests for Information**

**NP-NLH-23 to NP-NLH-38**

**Issued: March 19, 2010**

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## **1. Proposed RSP Changes**

On page 4 and 5 of Mr. Greneman's evidence, he states:

"In response to PUB-NLH-24 in this proceeding, Hydro indicated that although it has not developed any specific proposals, in light of the change in markets and fuel prices the RSP may need to be substantially modified or replaced and that the Board may consider ordering development of policies and procedures that reflect:

- NP being invoiced monthly by Hydro for costs incurred related to fuel and, in turn, NP dealing directly with their customers on matters of retail price signal and customer billing and payment options;
- Hydro dealing directly with its IC and giving consideration to such matters as price signal, and payment options, as well as having RSP amounts become accounts receivable or accounts payable from/to each IC each month rather than Industrial class RSP balances which are not tied directly to each customer; and
- Hydro developing a proposal regarding hydraulic stabilization."

The following questions relate to the above evidence of Mr. Greneman.

### **NP-NLH-23**

Are Mr. Greneman and Hydro suggesting that the Board should, in this proceeding, order the development of policies and procedures that reflect the above items?

### **NP-NLH-24**

Does Hydro agree that completion of the RSP Review initiated in 2007, in accordance with Order No. P.U. 8 (2007) and the 2006 Hydro GRA Settlement Agreement, is the appropriate forum to propose modifications to the policies and procedures of the RSP such as those set out in the cited passage? If not, why not? Does Hydro believe that further direction of the Board is required with respect to the RSP review?

### **NP-NLH-25**

Please explain what changes in market and fuel prices have prompted the need to change the Retail portion of the RSP as implied in the cited passage.

### **NP-NLH-26**

Is there a problem with the current RSP hydraulic stabilization approach? If so, please describe the problem. If not, why is Hydro suggesting development of a revised approach?

### **NP-NLH-27**

Is it Mr. Greneman's opinion that implementing IC RSP changes in which RSP amounts are specific to each IC necessarily requires changing the Retail portion of the RSP? Please provide detailed reasons for the response.

**NP-NLH-28**

Mr. Greneman states on page 5:

“By invoicing NP monthly for fuel costs, it provides a timely price signal and minimizes the possibility of large reserve balances that could act to provide an inappropriate price signal”.

Given the potential for monthly fuel cost volatility at Holyrood, does Mr. Greneman believe passing such a price signal directly to retail customers would provide an acceptable level of rate stability?

**NP-NLH-29**

Does Mr. Greneman accept that under the monthly invoicing approach Newfoundland Power would have to develop its own pricing mechanism to continue to provide acceptable levels of rate stability for customers? Does Mr. Greneman believe that such a pricing mechanism should include a fuel rider similar to the current mechanism?

**2. Changes in Load Variation Component Allocation****NP-NLH-30**

Hydro is recommending that the portion of the RSP IC class balance from January 1, 2007 to current resulting from the Load Variation Transfers be allocated between Newfoundland Power and the Industrial Customers based on energy ratios (see the responses to PUB-NLH-15 and CA-NLH-26).

Please confirm that Mr. Greneman agrees with this approach.

**NP-NLH-31**

Provide a comparison of the December 31, 2010 forecast monthly RSP balances in the Industrial and Retail Plan related to the load variation component for the period January 1, 2007 to December 31, 2010, using both the existing approach to computing the load variation component and an allocation approach for the load variation component based on energy ratios. If possible, please include estimated interest effects.

**NP-NLH-32**

Based on the draft order submitted with the Application on June 30, 2009, it appears that Hydro is requesting that the Board make final the current interim rates charged to the Industrial Customers other than Teck Cominco Limited (“Teck”), and that those final rates should also be approved as final rates to Teck, effective July 1, 2009. Is this correct?

**NP-NLH-33**

In Mr. Brockman's evidence, he indicated he would take no issue with the Board approving the current IC rates as final for 2008 and 2009, subject to the RSP balances being revised to reflect the use of energy ratios for the load variation component (see page 31, Brockman Evidence). Does Mr. Greneman agree that the Board's approval of final rates for the Industrial Customers should include an order reallocating the RSP balances in the manner suggested by Mr. Brockman?

**NP-NLH-34**

Please provide an update to NP-NLH-15 using the fuel rider calculated based on the Rate Stabilization Plan Fuel Price Projection - IC (filed with the Board on October 16, 2009) and a recovery factor based on the forecast December 31, 2010 RSP balance in the Industrial RSP, excluding the cumulative portion related to the Industrial RSP load variation component. In the calculation, please assume the 2010 year-end hydraulic balance will equal the balance at January 31, 2010.

**NP-NLH-35**

Provide the customer rate impact for each Industrial Customer of implementing final Industrial Customer rates, effective January 1, 2011, based on the fuel rider and recovery factor derived in NP-NLH-34 combined with the existing Industrial Customer base rates that resulted from Order No. P.U. 8 (2007).

**NP-NLH-36**

Please estimate the January 1, 2011 rate increase for each Industrial Customer based upon the normal operation of the RSP assuming the 2010 forecast year end balances are adjusted to reflect the use of energy ratios for the load variation component effective January 1, 2007. In the calculation, please use the IC fuel price projection filed with the Board on October 16, 2009 and the balance in the RSP hydraulic component at January 31, 2010.

**NP-NLH-37**

Please estimate the January 1, 2011 rate increase for each Industrial Customer assuming the 2010 forecast year end balances are adjusted to reflect the use of energy ratios for the load variation component, effective January 1, 2007, and assuming a 100% disposition of the hydraulic stabilization component. In the calculation, please use the IC fuel price projection filed with the Board on October 16, 2009 and the balance in the RSP hydraulic component at January 31, 2010.

**NP-NLH-38**

Does Mr. Greneman believe it may be reasonable to use a greater portion of the RSP hydraulic credit balance to help in managing the rate impact on Industrial Customers? Please provide a detailed explanation for the response.