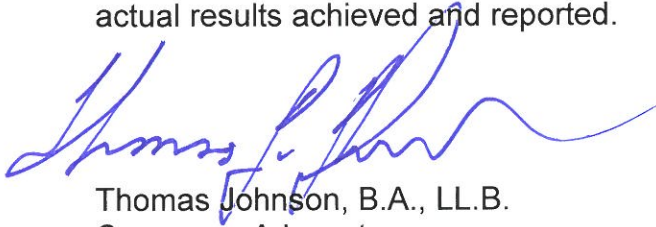

The Consumer Advocate

Annual Report 2013-14

Message from the Consumer Advocate

I am pleased to present the 2013-14 Activity Report of the Consumer Advocate. Given that my role as Consumer Advocate encompasses both insurance matters and matters pertaining to the representation of general and domestic electricity consumers of the Province, I shall deal with each separately in this Activity Report.

As the Consumer Advocate, I am accountable for the preparation of this report and the actual results achieved and reported.



Thomas Johnson, B.A., LL.B.
Consumer Advocate

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Overview and Mandate

In accordance with section 117 of the *Public Utilities Act*, the Lieutenant Governor in Council may appoint a Consumer Advocate to represent the interests of domestic and general service customers in response to applications from public utilities. In accordance with section 61 of the *Automobile Insurance Act*, the Lieutenant Governor in Council may appoint a Consumer Advocate for the purposes of a matter before the Board of Commissioners of Public Utilities. Finally, in accordance with section 3.1(8) of the *Insurance Companies Act*, the Lieutenant Governor in Council may appoint a consumer advocate for the purposes of a review by the Board of Commissioners of Public Utilities. Section 3.1(1) of the *Insurance Companies Act* provides that the Lieutenant Governor in Council may, by order, direct the board to conduct a review of any aspect of insurance in the province on the terms and conditions that may be specified.

In relation to electricity matters, effective August 2013, the Lieutenant Governor in Council appointed Tom Johnson as the Consumer Advocate for a one-year term to represent the interests of domestic and general service consumers on terms acceptable to the Minister of Justice. The August 2013 appointment was a renewal of a previous appointment made in August 2012. The new appointment also included any other appointment the Consumer Advocate may receive to participate in specific hearings before the Public Utilities Board, and, with the Minister of Justice, to determine terms and conditions consistent with the existing practice of requiring the Consumer Advocate to file a budget on specific matters and an annual budget for routine on-going matters.

In relation to insurance matters, on June 8, 2007 the Lieutenant Governor in Council extended Tom Johnson's appointment as Consumer Advocate. Pursuant to the terms of the extension, specific project assignments for which the Consumer Advocate will be paid will be approved in advance by the Minister of Service NL.

In accordance with the rules as may be prescribed by the Board for the particular matter before it, the scope of participation may extend in appropriate cases to participating in all pre-hearing procedures, reviewing the application and evidence filed in support thereof, preparing requests for information, retaining and instructing necessary experts, cross-examining witnesses, calling witnesses on behalf of the interests of consumers and making final submissions to the Board.

In performing his or her duties, the Consumer Advocate may retain such experts and consultants as may be reasonably required. The costs of the Consumer Advocate are initially borne by the Board of Commissioners of Public Utilities, and subsequently charged to the public utility(ies) or insurer(s) who are making the application or who are involved in the review as the case may be.

Vision

A regulatory environment in which consumers are well-served and are afforded fair and reasonable treatment in accordance with the legislation and provincial policy pertaining thereto and sound public utility practices, as appropriate.

Highlights and Accomplishments

Insurance:

There were no insurance hearings or reviews for which the Consumer Advocate was appointed in the last year.

Electricity Consumer Representation:

The 2013-14 period was very active with regards to the Consumer Advocate's representation of electricity consumers in this province. The following section highlights matters in which the Consumer Advocate was engaged:

1. Newfoundland and Labrador Hydro's General Rate Application

The Consumer Advocate intervened on behalf of general and residential customers in this application filed on July 30, 2013.

2. Investigation and Hearing into Supply Issues and Power Outages

The Consumer Advocate participated in the aforesaid Investigation and Hearing on behalf of general and residential customers in the wake of the rotating power outages and supply disruptions on the Island Interconnected system over the period January 2 – 8, 2014.

3. Newfoundland Power Inc.'s 2013-2014 General Rate Application

The Consumer Advocate intervened on behalf of general and residential customers in the general rate application filed by Newfoundland Power Inc. on September 14, 2012, which culminated with a decision of the Board in P.U. No. 13 (2013) on April 17, 2013 and a subsequent compliance application thereto giving rise to P.U. No. 23 (2013) on June 14, 2013.

4. Newfoundland Power Inc.'s 2014 Capital Budget Application

The Consumer Advocate represented customers' interests in relation to Newfoundland Power Inc.'s annual capital budget application filed in June 2013.

5. Newfoundland and Labrador Hydro's 2014 Capital Budget Application

The Consumer Advocate represented customers' interests in relation to Newfoundland and Labrador Hydro's annual capital budget application filed in August 2013.

6. Newfoundland and Labrador Hydro's Application regarding Industrial Customers' Rates

The Consumer Advocate represented customers' interests in relation to Newfoundland and Labrador Hydro's application of July 30, 2013 for approval of the Rate Stabilization Plan and components of rates to be charged to Industrial Customers.

7. Newfoundland and Labrador Hydro's Application regarding Holyrood Fuel Oil System

The Consumer Advocate represented customers' interests in relation to Newfoundland and Labrador Hydro's December 2013 application for deferral of expenses associated with the repair of the Holyrood Fuel Oil System.

Report on Performance

Issue 1: Representation of Consumer Interests

The representation of consumer interests when applications from public utilities are received is largely determined by the nature of the application. Applications may request, for example, a rate increase, a pricing restructuring, or an increase in return on investment for capital expenditure. The development of any response to an application requires that the Consumer Advocate solicit advice from consultants with respect to the information required to make an informed argument. Consultants with an expertise in energy supply, regulatory practice and principles and cost of capital/finance are invaluable when assessing the necessity for changes sought by electrical utilities. In matters of insurance, consultants with expertise in actuarial science and cost of capital/finance are typically required.

Objective: Upon appointment, the Consumer Advocate will have represented the interests of consumers of electrical utilities and insurance companies in the province of Newfoundland and Labrador.

Measure: Consumer Interests represented

Indicators	Results
<p>Obtained evidence for hearings in support of the consumer position at regulatory processes</p>	<p>The Consumer Advocate obtained evidence, as appropriate, in support of the consumers' position in relation to each of the following matters:</p> <ul style="list-style-type: none"> • Newfoundland and Labrador Hydro's General Rate Application • Investigation and Hearing into Supply Issues and Power Outages • Newfoundland Power Inc.'s 2013-2014 General Rate Application • Newfoundland Power Inc.'s 2014 Capital Budget Application • Newfoundland and Labrador Hydro's 2014 Capital Budget Application • Newfoundland and Labrador Hydro's Application regarding Industrial Customers' Rates • Newfoundland and Labrador Hydro's Application regarding Holyrood Fuel Oil System <p>In obtaining evidence, the Consumer advocate solicits advice from consultants with an expertise in energy supply, regulatory practice and principles and cost of capital/finance for changes sought by electrical utilities. In matters of insurance, consultants with expertise in actuarial science and cost of capital/finance are consulted.</p>
<p>Attended pre-hearing conferences and meetings and public hearings held by the Board of Commissioners of Public Utilities</p>	<p>The Consumer Advocate attended pre-hearing conferences, meetings and public hearings, all as applicable, in relation to: the Investigation and Hearing into Supply Issues and Power Outages on the Island Interconnected System; and Newfoundland and Labrador Hydro's 2013 General Rate Application.</p>
<p>Prepared and delivered submissions as directed by the Board of Commissioners of Public Utilities to represent the interests of consumers</p>	<p>The Consumer Advocate made submissions to the Board of Commissioners of Public Utilities in relation to:</p> <ul style="list-style-type: none"> • Newfoundland and Labrador Hydro's General Rate Application • Investigation and Hearing into Supply Issues and Power Outages • Newfoundland Power Inc.'s 2013-2014 General Rate Application • Newfoundland Power Inc.'s 2014 Capital

	<p>Budget Application</p> <ul style="list-style-type: none"> • Newfoundland and Labrador Hydro's 2014 Capital Budget Application • Newfoundland and Labrador Hydro's Application regarding Industrial Customers' Rates • Newfoundland and Labrador Hydro's Application regarding Holyrood Fuel Oil System
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Opportunities and Challenges Ahead

In addition to the normal annual matters such as capital budget applications by utilities, the Consumer Advocate anticipates extensive work will be required to promote the interests of consumers with regard to two extremely complex matters initiated in 2013-14 fiscal year; the General Rate Application filed by Newfoundland and Labrador Hydro in July 2013, and the ongoing investigation and hearing into supply issues and power outages on the Island Interconnected System.

Financial Statements

Upon appointment, the Consumer Advocate prepares a budget for the approval of the Minister of Justice in matters pertaining to electricity. For matters pertaining to insurance, the Minister of Service NL has budget approval authority. Once the budget has been approved, the Consumer Advocate, in matters of electricity, renders detailed statements of account to the Public Utilities Board which pays the account. For matters of insurance involving a public hearing or PUB involvement, the same process is followed. However, on occasion the Consumer Advocate will be appointed to intervene or participate in a non-PUB insurance related matter, in which case Service NL both approves the budget and pays the account. Separate audited financial statements are not required of the Consumer Advocate. Expenses paid through the PUB are included as a separate line item in its budget, which is audited by a private auditor. Expenses paid through Service NL are included in the professional services section of its budget, and audited financial statements are a requirement at the government level and are made public through the public accounts process.

As there were no insurance matters related to the Consumer Advocate role in 2013-14, the following financial information only pertains to matters regarding the representation of general and domestic electricity consumers of the province.

Electricity Consumer Representation

1. Newfoundland Power Inc. Supplementary Capital Budget Application – Cable from Broad Cove to Bell Island

Invoice dated April 8, 2013 (for services rendered from March 16, 2012 to March 21, 2012)

(i)	Professional Fees of the Consumer Advocate	\$330.00
(ii)	Disbursements	\$14.25
(iv)	HST (i) & (ii)	\$44.75
	Total	\$389.00

2. Newfoundland and Labrador Hydro – Cat Arm Dam Refurbishment

Invoice dated April 8, 2013 (for services rendered from August 8, 2012 to August 21, 2012)

(i)	Professional Fees of the Consumer Advocate	\$760.00
(ii)	Professional Fees of Legal Counsel to the Consumer Advocate	\$420.00
(iii)	Disbursements	\$19.00
(iv)	HST (i), (ii) & (iii)	\$155.87
	Total	\$1,354.87

3. Newfoundland and Labrador Hydro – 2011 Unforeseen Capital Expenditures

Invoice dated April 8, 2013 (for services rendered from November 29, 2012 to December 21, 2012)

(i)	Professional Fees of the Consumer Advocate	\$2,960.00
(ii)	Disbursements	\$20.00
(iv)	HST (i) & (ii)	\$387.40
	Total	\$3,367.40

4. Newfoundland and Labrador Hydro Application to Refurbish Stop Logs at Burnt Dam Spillway

Invoice dated April 8, 2013 (for services rendered from January 5, 2013 to January 9, 2013)

(i)	Professional Fees of the Consumer Advocate	\$360.00
(ii)	Professional Fees of Legal Counsel to the Consumer Advocate	\$225.00
(iii)	Disbursements	\$19.00
(iv)	HST (i), (ii) & (iii)	\$78.52
	Total	\$682.52

5. Newfoundland and Labrador Hydro Application for Approval of Supplemental Capital Projects – Cat Arm Road Refurbishment; Stephenville Gas Turbine Alternator Rewind and Upgrade; Increase Generation Capacity in Mary’s Harbour

Invoice dated April 8, 2013 (for services rendered from July 24, 2012 to August 16, 2012)

(i)	Professional Fees of the Consumer Advocate	\$2,600.00
(iii)	HST (i)	\$338.00
	Total	\$2,938.00

6. Newfoundland and Labrador Hydro Application - IFRS

Invoice dated April 8, 2013 (for services rendered from December 23, 2011 to May 6, 2012)

(i)	Professional Fees of the Consumer Advocate	\$3,070.00
(ii)	Disbursements	\$19.00
(iii)	HST (i) & (ii)	\$401.57
	Total	\$3,490.57

7. Newfoundland Power’s Application for Approval of Capital Expenditure Allowance (Supplemental to Newfoundland Power’s Capital Budget Application - \$315,000)

Invoice dated April 8, 2013 (for services rendered from July 30, 2012 to August 29, 2012)

(i)	Professional Fees of the Consumer Advocate	\$760.00
(ii)	Disbursements	\$36.36
(iii)	HST (i) & (ii)	\$103.53
	Total	\$899.89

8. Newfoundland Power – General Rate Application

Invoice dated June 30, 2013 (for services rendered from April 17, 2013 to June 14, 2013)

(i)	Professional Fees of the Consumer Advocate	\$3,810.00
(ii)	Disbursements	\$14.25
(ii)	HST (i) & (ii)	\$497.15
	Total	\$4,321.40

9. Newfoundland Power 2014 Capital Budget Application

Invoice dated November 30, 2013 (for services rendered from June 30, 2013 to September 16, 2013)

(i)	Professional Fees of the Consumer Advocate	\$11,760.00
(ii)	Professional Fees of Legal Counsel to the Consumer Advocate	\$5,370.00
(iii)	Disbursements	\$40.05
(iv)	HST (i), (ii) & (iii)	\$2,232.11
	Total	\$19,402.16

10. Newfoundland and Labrador Hydro Capital Budget Application

Invoice dated November 30, 2013 (for services rendered from August 6, 2013 to October 16, 2013)

(i)	Professional Fees of the Consumer Advocate	\$22,540.00
(ii)	Professional Fees of Legal Counsel to the Consumer Advocate	\$15,885.00
(iii)	Disbursements	\$96.00
(iv)	HST (i), (ii) & (iii)	\$5,007.73
	Total	\$43,528.73

11. July 30, 2013 – Application filed by Newfoundland and Labrador Hydro pursuant to Sections 70(1) 76 of the P.U. Act for approval of the RSP rules and components of the rates to be charged to Industrial Customers

Invoice dated November 30, 2013 (for services rendered from July 31, 2013 to September 30, 2013)

(i)	Professional Fees of the Consumer Advocate	\$16,090.00
(ii)	Disbursements (including experts)	\$15,467.00
(iv)	HST (i) & (ii)	\$4,102.41

Total	\$35,659.41
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12. Newfoundland and Labrador Hydro Capital Budget Application

Invoice dated December 30, 2013 (for services rendered from December 23, 2013 to December 27, 2013)

(i) Professional Fees of the Consumer Advocate	\$600.00
(ii) HST (i)	\$78.00
Total	\$678.00

13. Newfoundland and Labrador Hydro General Rate Application

Invoice dated December 31, 2013 (for services rendered from July 29, 2013 to November 30, 2013)

(i) Professional Fees of the Consumer Advocate	\$85,060.00
(ii) Professional Fees of Legal Counsel to the Consumer Advocate	\$28,530.00
(iii) Disbursements (including experts)	\$52,280.25
(iv) HST (i), (ii) & (iii)	\$21,563.13
Total	\$187,433.38

14. Newfoundland and Labrador Hydro – approval of the deferral of expenses associated with the repair of the Holyrood Fuel Oil System as a Major Extraordinary Repair

Invoice dated February 28, 2014 (for services rendered from December 10, 2013 to February 26, 2014)

(i) Professional Fees of the Consumer Advocate	\$7,120.00
(ii) Disbursements	\$47.50
(iv) HST (i) & (ii)	\$931.78
Total	\$8,099.28