

1 Q. Provide all reports and supporting documentation related to implementation
2 of a demand and energy charge pricing structure for the wholesale power
3 rate for Newfoundland Power as referenced in Mr. D.W. Osmond's Prefiled
4 Testimony (page 9, lines 24 – 31). Explain why a demand charge is
5 appropriate for Industrial Customers, but not Newfoundland Power.
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8 A. Please see response to IC-205.1.
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10 The primary difference between Newfoundland Power and Industrial
11 customers relates to the level of control each has on the demand each
12 places on the system. Industrial customers are indeed the final customers
13 and can therefore control the loads they place on the system. Newfoundland
14 Power is the distributor of electricity to ultimate consumers and cannot
15 therefore exercise the same level of control over the load level.
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17 Another significant difference is in the management of Newfoundland
18 Power's generation facilities. Presently, Hydro gives direction to
19 Newfoundland Power on operating its generating plants for system peak load
20 purposes to optimize the generation that is on-line. Newfoundland Power
21 normally operates its hydro plants to produce energy as efficiently as
22 possible and does not use its thermal generation for peaking purposes
23 unless requested by Hydro. This will result in some of Newfoundland Power's
24 plants not being on-line at the time of its peak. Having a demand charge may
25 result in less optimal use of the resources as Newfoundland Power may
26 place all of its generation on at the time of their peak to reduce their demand
27 cost. There may be several near peaks when this could occur or they could
28 decide to keep some hydro plants off at non-peak times to ensure they had

1 capacity available for potential peak times when they occur. In either case
2 the operation of the system will become less efficient resulting in higher
3 costs. Therefore, the objective of ensuring the most efficient use of hydraulic
4 resources would be negatively impacted by the implementation of a demand
5 charge in Newfoundland Power's rate structure.