

**IN THE MATTER OF** the *Electrical Power Control Act, 1994* (the “EPCA”) and the *Public Utilities Act, R.S.N. 1990, Chapter P-47* (the “Act”) and their subordinate regulations; and

**IN THE MATTER OF** an Application by Newfoundland and Labrador Hydro (“Hydro”) for approvals of: (1) Under Section 70 of the Act, changes in the rates to be charged for the Supply of power and energy to its Retail Customer, Newfoundland Power, its Rural Customers and its Industrial Customers; (2) Under Section 71 of the Act, its Rules and Regulations applicable to the supply of electricity to its Rural Customers; (3) Under Section 71 of the Act, the contracts setting out the terms and conditions applicable to the supply of electricity to its Industrial Customers; and (4) Under Section 41 of the Act, its 2002 Capital Budget.

**RESPONSE TO NLH-94**

**POOLE, ALTHOUSE,  
THOMPSON & THOMAS**  
Western Trust Building  
49-51 Park Street  
Corner Brook, NF  
A2H 6H7  
Solicitors for the  
Industrial Customers

**STEWART MCKELVEY  
STIRLING SCALES**  
Cabot Place  
100 New Gower Street  
St. John’s, NF  
A1C 5V3  
Solicitors for the  
Industrial Customers

**NLH-94 (Re: p.10, lines 27-37)**

**Q:** Please explain the use of the phrase *various interruptible demand alternatives* as found on line 28 in relationship to Newfoundland power.

**A:** The phrase “various interruptible demand alternatives” as found on line 28 at page 10 is a summary for the specific alternatives reviewed at section 3.5 (starting at page 17), namely the NP self generation alternative for dispatchable reductions in Hydro’s demand and the Industrial Interruptible “B” alternative for dispatchable reductions in Hydro’s demand.

Hydro operates its system to supply power to customers throughout the year. In doing so, Hydro has developed a number of facilities and approaches to supply base load and energy, and to meet system peak demands. There are basically two alternatives for Hydro to meet its system peaks - Hydro can dispatch its own generation to increase its output, or it can dispatch a reduction in the customer load it has to serve. In each case, Hydro will make the decision as to which of these approaches to use based on a variety of operating and plant considerations. In terms of reducing customer peak loads, Hydro has a number of options to use:

- 1. Interrupting Surplus Energy Sales Programs:** Hydro can reduce the load it has to supply by interrupting non-firm energy (as described in Schedule A of the Application, page 3 of 27). This is energy that is only made available when Hydro has surplus generating capacity from Holyrood or Hydroelectric sources.
- 2. Interrupting Non-firm Demand:** Hydro can reduce its short-term peak demand load in two ways:
  - a. **Interruptible ‘B’:** Hydro can reduce the peak it has to supply industrial customers through an interruption to Interruptible B power. This is a rate that Hydro offers customers who can drop their load when requested to do so by Hydro to meet such peaks and system emergencies. The use of Interruptible B over the last number of years is shown in response to question NP-133 (c).
  - b. **NP self-generation:** Hydro can request NP to reduce its net load on the system by starting up its generating facilities. The use of these generating facilities over the last number of years to help reduce NP net load is shown in response to question CA-173.

As noted above, the ‘various interruptible demand alternatives’ referred to at page 10 is in reference to the two dispatchable load reductions listed in bullet 2 above (for both NP and IC). In principle, these two load reductions are very similar:

- Hydro can request a reduction in load and the customer responds by reducing its net load
- reductions are only requested a few times per year if at all
- the reductions are used to meet the highest system peak loads, after Hydro has dispatched its own suitable generation
- the duration of load reduction is generally quite short
- the customer receives a benefit from Hydro annually in terms of reduced energy costs or credits, whether the reduction is used or not
- at the time of the reduction, Hydro pays the customer for the cost of the energy (these are very small compared to the annual payment)

Hydro has not applied to the Board for specific rates for these interruptible demand alternatives. Hydro proposes to compensate NP via a complex credit within the COS calculations; the overall result is to build into NPs proposed rates a specific compensation approach for this service. The Interruptible 'B' rate is currently covered in a contract with one customer - Hydro has not explained why this rate is not included in its application. Consideration of interruptible demand rates within this hearing is relevant particularly given Hydro's clear need to address capacity shortfalls on the Island Interconnected System in the near future (per Budgell, Schedule XII) and the need to demonstrate consistency and fairness in the treatment of these two interruptible demand alternatives.