

Q. Re: Supplementary Evidence page 11

- (a) **Please provide NP's incremental revenues from increased sales to its customers, by class and by demand/energy rates;**
- (b) **Please provide NP's forecast sales for 2002 by customer class;**
- (c) **Please provide an estimate of the incremental revenues to NP from sales to its customers if sales in 2002 exceed the load forecast by 5% (i.e. due to a cold winter);**
- (d) **Please provide an estimate of the incremental costs to NP for purchased power in 2002 if loads exceed the load forecast by 5% based on Hydro's proposed rates;**
- (e) **Please explain in detail any additional costs, other than purchased power, for NP if sales exceed the load forecast by 5%;**
- (f) **Please explain in detail how the above situation would be addressed by Hydro's RSP and by NP's rate stabilization mechanisms.**

- A. (a) The incremental revenues from increased sales to customers are based on the tail blocks and demand charges of the retail rates approved by Board dated January 1 2000. See attached rate schedules.
- (b) The Newfoundland Power sales forecast for 2002 by customer class is provided below:

		<u>Energy (GWh)</u>
Residential	1.1	<u>2,770.3</u>
General Service		
0-10 kW	2.1	100.2
10-100 kW	2.2	577.5
110-1000 kVA	2.3	802.9
Over 1000 kVA	2.4	365.7
Total General Service		<u>1,846.3</u>
Street Lighting	4.1	35.4
Total Energy Sales		<u>4,652.0</u>

Note: Forecast dated 2001/05/25

- (c) If the energy sales of Newfoundland Power exceed forecast by 5% due to a cold winter, Newfoundland Power receives no additional revenue. The estimated additional revenue is credited to the Weather Normalization Reserve.

However, if sales exceed forecast for reasons other than abnormal weather, the incremental revenue will be based on the tail block and demand charges for each rate class.

- (d) If the purchases from Newfoundland Hydro exceed forecast by 5% due to a cold winter, Newfoundland Power pays Hydro for 5 % more additional charges than forecast. However, there is no impact on the purchases expense of Newfoundland Power for the period as the estimated increased cost is recovered from the weather normalization reserve.

However, if purchases from Newfoundland Hydro exceed forecast for reasons other than abnormal weather, the incremental purchased power expense is 4.531 cents per kWh (i.e., the current rate).

- (e) In the short-term, any costs other than purchased power expense would likely be minor. Over the long-term, additional costs for Newfoundland Power would be determined through revised demand cost and energy cost allocations in the Hydro cost of service study. Increased load may also cause Newfoundland Power to proceed with additional capital projects on its electrical system (see response to Request for Information CA-186, the 1997 Marginal Cost Study provided as Appendix C).

- (f) If the purchases of Newfoundland Power exceed the forecast purchases used in setting the wholesale rate based on the test year, Newfoundland Hydro will credit excess contributions to the Retail Plan through the load variation component. The load variation component is calculated as follows:

$(\text{Actual Sales} - \text{Test Year Sales Forecast}) \times (\text{Energy Rate} - \text{Test Year Holyrood Production Cost})$

If the price of fuel differs from the test year price forecast, there will also be an adjustment to the RSP through the Fuel Cost Variation component. The Fuel Cost Variation component is calculated as follows:

$(\text{Actual Fuel Price} - \text{Test Year Price Forecast}) \times \text{Actual Holyrood Production}$

Newfoundland Hydro also charges a RSP write-off rate to recover amounts owing the Retail Plan (the current write-off rate is \$0.00177 cents per kWh). If purchases by Newfoundland power exceed forecast, additional amounts above forecast are credited to the Retail Plan.

The energy rates charged by Newfoundland Power include a rate stabilization adjustment factor. The current rate stabilization adjustment factor is \$0.00172 per kWh. Sales increases above forecast result in increased funds credited to the Rate Stabilization Account of Newfoundland Power. The year-end balance in the Rate Stabilization Account is combined with 1/3 the balance of the Hydro's Retail Plan to determine the rate stabilization adjustment factor for the following year.