

**NEWFOUNDLAND BOARD OF PUBLIC UTILITIES
DATA RESPONSES
TO
NEWFOUNDLAND POWER**

NP 299 At page 19, Dr. Wilson discusses Hydro's lack of a seasonal rate, and states, "In short, in order for Hydro's rates to reasonably reflect costs, seasonal cost variations should be reflected. Conversely, if it is argued that the dominance of stored hydro generation overrides justification of seasonal rate differentials, then the attribution of hydroelectric capacity costs to demand and the allocation of these costs based on winter peak is inappropriate." Does Dr. Wilson have an opinion as to which of these two is the case, and if not, what is required for the Board to reach an informed opinion on it in this case?

RESPONSE:

It is Dr. Wilson's opinion that Hydro's rates should reflect seasonal cost variations. Even though the predominance of stored hydroelectric capacity in the generating mix may justify a smaller summer-winter rate differential than would be warranted on another system with correspondingly diverse seasonal load curves, the fact that Hydro allocates all generation demand costs on the basis of winter peak would warrant a significant winter rate premium.