

REPORT  
OF  
THE BOARD OF COMMISSIONERS OF PUBLIC UTILITIES  
TO  
THE HONOURABLE MINISTER OF MINES AND ENERGY  
GOVERNMENT OF NEWFOUNDLAND AND LABRADOR  
ON  
A REFERRAL BY NEWFOUNDLAND AND LABRADOR HYDRO  
FOR  
THE PROPOSED COST OF SERVICE METHODOLOGY  
AND  
A PROPOSED METHOD FOR ADJUSTING ITS RATE STABILIZATION PLAN  
TO TAKE INTO ACCOUNT THE VARIATION IN HYDRO'S RURAL REVENUES  
RESULTING FROM VARIATIONS IN THE RATES SET BY THE BOARD TO BE  
CHARGED BY NEWFOUNDLAND LIGHT & POWER CO. LIMITED  
TO ITS CUSTOMERS

FEBRUARY 1993

BEFORE:

R.E. Good, Chairperson  
L.E. Galway, C.A., M.B.A., Commissioner  
G.R. Vey, R.P.A., Commissioner

Hydro's argument was filed October 7th., the Intervenor's filed their arguments on October 23rd. Hydro's rebuttal was filed on November 4th.

Evidence was given by the following:

Hydro

Derrick F. Sturge, Director of Rates and Financial Planning,  
Dr. Robert H. Sarikas, Senior Consultant & Senior Vice-President, Foster Associates Inc., Washington, D.C.;  
Richard A. Bellin, Affiliate Consultant, Foster Associates Inc., Washington, D.C.,

NP

Larry B. Brockman, Vice-President in the Consulting Department of Energy Management Associates, Inc., Atlanta, Georgia;

Abitibi

Jack Verhoeven, Manager, Abitibi Price, Inc., Stephenville,  
E. Odgers Olsen, Jr., Partner, Ernst & Young's Utilities Consulting Practice, Washington, D.C.;

The Board

George C. Baker, Consulting Engineer, Kentville, N.S.

Recommendation 21

That subject to the provisions of Recommendation 19, Hydro's proposed methodology be approved for the Labrador Interconnected and Rural Isolated Systems.

MOBILE GAS TURBINE OWNED BY NP

Hydro's cost of service study does not provide credit for the capacity of NP's mobile gas turbine at Port aux Basques. Hydro submits that the evidence from the last hearing indicated the mobile unit had been connected at Port aux Basques for the majority of the time in recent years but is in fact a portable generator and has been connected in other areas when they have been isolated from the main grid. Hydro's position is that as a portable generator it cannot be relied on by Hydro as firm generation and NP should therefore receive no credit for its capacity.

NP argues that as the unavailability of this gas turbine is of the same order as that of other generation plant which Hydro does include in its system capacity, it would be appropriate to include the mobile gas turbine as part of NP's gross generation before adjusting for reserve capacity in the cost of service study.

The relevant question arising from these submissions is whether or not NP's mobile gas turbine has an availability commensurate with units Hydro does count as firm capacity. The Board notes Dr. Sarikas' testimony that Holyrood units are down for maintenance for 4 to 4.5 weeks per year (Transcript, p. 123) and further notes NP's testimony at the previous hearing which indicated the mobile turbine is connected at Port aux Basques except when required for emergency duty. When employed in such duty, it appears to the Board that the mobile turbine is actually supporting load which Hydro would normally supply. Thus, the unavailability of the mobile turbine would be limited to the transit time from Port aux Basques and back again. The Board concludes that the unit should be included by Hydro as a part of system capacity.

#### Recommendation 22

That for cost of service purposes Hydro include the NP mobile gas turbine as part of NP's gross generation before adjusting for reserve capacity.

#### DEFICIT OF HYDRO RURAL

Unlike previous topics, the allocation of the Hydro Rural Deficit is not as easy to assess according to its functionalization and classification. The deficit instead falls out of the operation of a system that is physically, for the most part, and financially isolated from the three main classes in the Cost of Service, NP, the Industrials and Labrador Interconnected.