

1 MS. HENLEY ANDREWS, Q.C.: Okay. Are you aware of
2 any measures that have been taken by Newfoundland
3 Power to control its peak demand in 2001 or 2002?

4 MR. BUDGELL: None come to mind right now.

5 MS. HENLEY ANDREWS, Q.C.: Now, I'd like to move to
6 Newfoundland Power's revised forecast, and in particular
7 we'll go back to page 2 of your second supplementary
8 evidence. Would you agree that the revised
9 Newfoundland Power forecast for 2001 and 2002 that's
10 reflected in your second supplementary evidence ... I'm
11 sorry. Do you have it there yet?

12 MR. BUDGELL: Yes. Is there a particular page I should be
13 referring to?

14 MS. HENLEY ANDREWS, Q.C.: Page 2. It's on the screen,
15 actually.

16 MR. BUDGELL: Okay.

17 MS. HENLEY ANDREWS, Q.C.: Would you agree that that
18 revised forecast significantly reduces Newfoundland
19 Power's demand forecast?

20 MR. BUDGELL: Yes, there is reduction.

21 MS. HENLEY ANDREWS, Q.C.: And it increases their
22 energy forecast?

23 MR. BUDGELL: Yes.

24 MS. HENLEY ANDREWS, Q.C.: For an increase in their
25 forecast load factor?

26 MR. BUDGELL: That's correct.

27 MS. HENLEY ANDREWS, Q.C.: And their forecast load
28 factor, in fact, moves from 49.5 percent to 51.1 percent?

29 MR. BUDGELL: In that area.

30 MS. HENLEY ANDREWS, Q.C.: Okay. Would you agree
31 with me that this is material to revenue requirement
32 allocation?

33 MR. BUDGELL: Yes, very much so.

34 MS. HENLEY ANDREWS, Q.C.: Particularly to the revenue
35 allocation to the industrial customers?

36 MR. BUDGELL: Yes. And to Newfoundland Power,
37 obviously.

38 MS. HENLEY ANDREWS, Q.C.: So it reduces
39 Newfoundland Power's revenue requirement allocation and
40 increases the industrial customers'?

41 MR. BUDGELL: Yes, over and above what was as filed.

42 MS. HENLEY ANDREWS, Q.C.: That's right. Where did
43 you get Newfoundland Power's revised forecast?

44 MR. BUDGELL: From Newfoundland Power.

45 MS. HENLEY ANDREWS, Q.C.: Has Hydro reviewed this
46 revised forecast for its reasonableness?

47 MR. BUDGELL: We normally, for the purposes of rate
48 hearings, accept Newfoundland Power's forecast.

49 MS. HENLEY ANDREWS, Q.C.: Okay. So the answer is
50 no, you haven't reviewed it for its reasonableness?

51 MR. BUDGELL: Well, we made the similar observation that
52 you just made in regards that the load factor had been
53 reduced, and the information that we have was because
54 that was a review that they had performed of their load
55 factor in their historical sample that they use.

56 MS. HENLEY ANDREWS, Q.C.: Okay. If there's no
57 witness from Newfoundland Power to deal with its forecast
58 how can we here judge its reasonableness?

59 MR. BUDGELL: I certainly can't answer that.

60 MS. HENLEY ANDREWS, Q.C.: What's your
61 understanding of Newfoundland Power's rationale for the
62 change?

63 MR. BUDGELL: I haven't got any explanation, other than
64 the fact that the new forecast reflects an update to the load
65 ... Newfoundland Power normally reflects their energy
66 usage and then applies a load factor on their, I guess on
67 the individual energy demands on the system, and they do
68 every time, I believe, they do a forecast, they do an update
69 to that. I'm assuming that the sample that they're using
70 reflected this change.

71 MS. HENLEY ANDREWS, Q.C.: But you don't know that?

72 MR. BUDGELL: That's the indication that I know that it
73 does, that's what's occurred. That change is, from our
74 perspective, is not evidenced in long-term samples.

75 MS. HENLEY ANDREWS, Q.C.: Now, when I go through
76 the next number of questions I want you to keep in your
77 mind that Newfoundland Power's projected load factor,
78 based upon its new forecast, will go to 51.1 percent. So I
79 just wanted you to keep that in your mind. I'd like you to
80 take a look at **NP-121**, and in particular page 3 of the
81 answer to that. Now, Mr. O'Rielly, I think what I'm going to
82 have to do, unfortunately, is go back to the question so
83 that we can be sure. And you can see that the question
84 asks to complete a table for each of the following
85 customers. And (a) is Newfoundland Power, correct?

86 MR. BUDGELL: That's correct.

87 MS. HENLEY ANDREWS, Q.C.: Okay. And one of the
88 things that it asks for is energy sales in megawatt hours?

89 MR. BUDGELL: That's correct.

1 MS. HENLEY ANDREWS, Q.C.: And the other thing that
2 it asks for is the coincident peak?

3 MR. BUDGELL: That's right.

4 MS. HENLEY ANDREWS, Q.C.: Which is the maximum
5 demand?

6 MR. BUDGELL: That's the maximum demand on our
7 system.

8 MS. HENLEY ANDREWS, Q.C.: Okay. Now, can we go
9 back to page 3? It's my understanding that this is the table
10 of information provided by Hydro with respect to that
11 request for information and with respect to Newfoundland
12 Power. Is that right?

13 MR. BUDGELL: That's correct.

14 MS. HENLEY ANDREWS, Q.C.: Okay. Now, we've already
15 discussed, a few minutes ago, how you calculate load
16 factor?

17 MR. BUDGELL: Yes.

18 MS. HENLEY ANDREWS, Q.C.: By our calculation this
19 exhibit shows that Newfoundland Power's load factor over
20 the period from 1996 had varied from 46.2 percent to 50.8
21 percent?

22 MR. BUDGELL: I haven't got the calculation on the table.
23 I'll have to accept your numbers.

24 MS. HENLEY ANDREWS, Q.C.: I'd also like you to
25 undertake to verify that?

26 MR. BUDGELL: This is for the period?

27 MS. HENLEY ANDREWS, Q.C.: From 1996 to 2000.

28 MR. BUDGELL: I already ... I have numbers for ... this is a
29 peak on our system. I have ... you'll have to appreciate that
30 we track information from Newfoundland Power on the total
31 load, not the load on ... this is the generation that we meet,
32 this number is affected by their generation.

33 MS. HENLEY ANDREWS, Q.C.: Yes.

34 MR. BUDGELL: So it's the capacity that our system sees.
35 Newfoundland Power, in doing their forecast, the first
36 forecasts are total requirements and then nets off the
37 generation. So the history that I have under those
38 forecasts would be reflecting the total load of
39 Newfoundland Power, which would include what their
40 generation would meet. Because it's going to be difficult to
41 track the actual load factor on the basis of the net of their
42 generation.

43 MS. HENLEY ANDREWS, Q.C.: Well, for the purpose of
44 allocating costs on Hydro's system, Newfoundland Power's
45 total load factor is irrelevant, isn't it?

46 MR. BUDGELL: No. You have to remember that's one of
47 the factors that's built into the capacity credits.

48 MS. HENLEY ANDREWS, Q.C.: Yes.

49 MR. BUDGELL: In the rate calculations.

50 MS. HENLEY ANDREWS, Q.C.: Okay.

51 MR. BUDGELL: And Hydro, when it has the forecast
52 provided by Newfoundland Power, which is the net to us,
53 we make assumptions on what their generation is, bring it,
54 we then bring it back, put a credit back to bring it to the
55 total load and then apply the credits. So actually, what
56 actually happens in rates is that the load factor then is a
57 different number. It's based on the net ... the generation
58 credits for rate setting purposes. But maybe that's not
59 where you're coming from, from this perspective. I don't
60 know.

61 MS. HENLEY ANDREWS, Q.C.: Well, I'll actually
62 eventually get to that part, as well. But, in fact, what you're
63 saying is that apart from the generation credit that
64 Newfoundland Power gets their load factor, for the purpose
65 of rate setting, is set on the basis of their net generation, of
66 the net after you take off the generation credit?

67 MR. BUDGELL: That's correct.

68 MS. HENLEY ANDREWS, Q.C.: And as a result, they're
69 also getting a benefit on the calculation of their portion of
70 the revenue requirement?

71 MR. BUDGELL: That's correct.

72 MS. HENLEY ANDREWS, Q.C.: So they're getting
73 compensation in two different ways?

74 MR. BUDGELL: I don't know if it's in two different ways.
75 Its compensation is in view of the fact that the generation
76 is available to the system, the overall system.

77 MS. HENLEY ANDREWS, Q.C.: Yeah. But the fact that it's
78 ... that the generation available is netted off against their
79 demand for the purpose of calculating their load factor
80 affects their load factor?

81 MR. BUDGELL: Yeah. Yes, in as far as the calculations in
82 the rates.

83 (12:00)

84 MS. HENLEY ANDREWS, Q.C.: Okay. So do you have
85 load factor figures for Newfoundland Power?

86 MR. BUDGELL: I only have load factor figures for the total
87 produced and purchased.

88 MS. HENLEY ANDREWS, Q.C.: Okay. For what years?

89 MR. BUDGELL: For '86 to 2000.

90 MS. HENLEY ANDREWS, Q.C.: Okay. And do you have

1 a figure as to what Newfoundland Power's projected load
2 factor is now for ... or load factor would be now based upon
3 its new forecast for 2001 and 2002?

4 MR. BUDGELL: Based on the forecast as filed, it was .5.

5 MS. HENLEY ANDREWS, Q.C.: Yes.

6 MR. BUDGELL: Based on the load factor that was in the
7 supplemental evidence, my second supplemental it was
8 .513.

9 MS. HENLEY ANDREWS, Q.C.: And looking at the
10 information that you have with respect to the period from
11 1996 to 2000 has Newfoundland Power's load factor ever
12 been .513 or greater?

13 MR. BUDGELL: Yes, it has for several years.

14 MS. HENLEY ANDREWS, Q.C.: And what years where
15 they?

16 MR. BUDGELL: The year 2000 it was .513, in the year ... I
17 said '86, by the way, I have dated back to '86, not '96. Are
18 you just interested in '96?

19 MS. HENLEY ANDREWS, Q.C.: I'm just interested in 1996
20 onward.

21 MR. BUDGELL: In '96 the only instance is 2000.

22 MS. HENLEY ANDREWS, Q.C.: Okay.

23 MR. BUDGELL: For '96 on.

24 MS. HENLEY ANDREWS, Q.C.: And 2000 was a
25 particularly warm year, wasn't it?

26 MR. BUDGELL: I believe so.

27 MS. HENLEY ANDREWS, Q.C.: And, in fact, when we had
28 been discussing both the forecasts and the actuals for 2000
29 you've pointed out to me on a number of times that ... a
30 number of occasions that the peak in 2000 would have been
31 lower because of such a warm winter?

32 MR. BUDGELL: Yes. The late 1990s were warmer than
33 normal.

34 MS. HENLEY ANDREWS, Q.C.: Okay. And that would
35 normally affect ... that might also have served to increase
36 Newfoundland Power's load factor in 2000 above and
37 beyond what the average?

38 MR. BUDGELL: No. You'd have to look at the peak day.

39 MS. HENLEY ANDREWS, Q.C.: Yes.

40 MR. BUDGELL: The year being warmer than normal would
41 affect the energy take.

42 MS. HENLEY ANDREWS, Q.C.: Yeah.

43 MR. BUDGELL: That can affect the low factor, as well, but

44 I think Newfoundland Power normalized for that, but you'd
45 have to look at the peak. But the peak, the peak was not
46 there, the peak conditions that would have drove ... a high
47 peak had not occurred.

48 MS. HENLEY ANDREWS, Q.C.: No. And we know that,
49 because when we look at 2000 we have the actual date on
50 that?

51 MR. BUDGELL: That's right.

52 MS. HENLEY ANDREWS, Q.C.: And we also know that
53 the energy requirements were reduced to some extent in
54 2000?

55 MR. BUDGELL: Yes.

56 MS. HENLEY ANDREWS, Q.C.: So it would be reasonable
57 to expect that 2000, that load factor would improve in 2000
58 for utility customers, given what actually occurred?

59 MR. BUDGELL: Yes.

60 MS. HENLEY ANDREWS, Q.C.: So in 2000 you would
61 expect both a lower peak and a higher load factor for
62 Newfoundland Power, based upon the weather that
63 occurred?

64 MR. BUDGELL: Yes. Well, that's the evidence.

65 MS. HENLEY ANDREWS, Q.C.: Okay. But now when we
66 talk about 2001, and in particular when we talk about 2002
67 we're forecasting, right?

68 MR. BUDGELL: That's correct.

69 MS. HENLEY ANDREWS, Q.C.: And we normally don't
70 forecast based upon the warmest year, do we?

71 MR. BUDGELL: No, we don't.

72 MS. HENLEY ANDREWS, Q.C.: No. And that's because
73 you have to look pretty much at the average if you're ... you
74 can either look at worst case, you can look at average, or
75 you can look at best case, but if you want to get something
76 that's a reasonable forecast you wouldn't look at the
77 warmest year, would you?

78 MR. BUDGELL: Not if your intentions are to ensure that
79 there is adequate capacity to meet peak.

80 MS. HENLEY ANDREWS, Q.C.: Okay. Can you tell me,
81 based upon the information that you have, what your
82 calculation of Newfoundland Power's load factor was for
83 1996?

84 MR. BUDGELL: .484.

85 MS. HENLEY ANDREWS, Q.C.: And for 1997?

86 MR. BUDGELL: .505.

87 MS. HENLEY ANDREWS, Q.C.: For 1998?

- 1 MR. BUDGELL: .502.
- 2 MS. HENLEY ANDREWS, Q.C.: For 1999?
- 3 MR. BUDGELL: .508.
- 4 MS. HENLEY ANDREWS, Q.C.: And for 2000 you've
5 already told us that it was .513?
- 6 MR. BUDGELL: That's correct.
- 7 MS. HENLEY ANDREWS, Q.C.: Now, as you pointed out
8 earlier today, at page 2 of your evidence, the second
9 supplemental evidence, you indicate that Newfoundland
10 Power's higher energy requirements are more than offset by
11 market down time for Abitibi?
- 12 MR. BUDGELL: That's correct.
- 13 MS. HENLEY ANDREWS, Q.C.: In what circumstances
14 would you get higher energy requirements associated with
15 a lower peak?
- 16 MR. BUDGELL: I'd have to know the ... are you referring
17 the question in the context of a particular customer?
- 18 MS. HENLEY ANDREWS, Q.C.: No, Newfoundland Power.
- 19 MR. BUDGELL: Newfoundland Power. Only if there was
20 something material that has happened in the system.
- 21 MS. HENLEY ANDREWS, Q.C.: Are you aware of
22 anything that's happened, material that's happened in the
23 system?
- 24 MR. BUDGELL: I'm not aware of anything significant that's
25 happened between pre-filed and supplemental.
- 26 MS. HENLEY ANDREWS, Q.C.: Would you agree that
27 generally a decrease in demand is not accompanied by an
28 increase in energy?
- 29 MR. BUDGELL: On a projected basis, no. Yeah, I would
30 agree that that would not be expected.
- 31 MS. HENLEY ANDREWS, Q.C.: Okay. Under your
32 proposed industrial contracts which were pre-filed with the
33 Board, and you don't actually need to ... you're not going
34 to need to look at it for this question. The industrial
35 customers have to declare their demand for the subsequent
36 year by October 1st, isn't that right?
- 37 MR. BUDGELL: That's correct.
- 38 MS. HENLEY ANDREWS, Q.C.: And that demand is called
39 their amount of power on order?
- 40 MR. BUDGELL: That's correct.
- 41 MS. HENLEY ANDREWS, Q.C.: So, in the case of Corner
42 Brook Pulp and Paper, as an example, because they have
43 revised their forecast for 2002, correct?
- 44 MR. BUDGELL: Exactly was the exercise of making that
45 determination or putting in their power in order that lead us
46 to question the forecast that we were using up to that time
47 period.
- 48 MS. HENLEY ANDREWS, Q.C.: Because their existing
49 contracts also require that the industrial customers notify
50 Hydro before October 1st of their amount of power on
51 order for the following calendar year, isn't that right?
- 52 MR. BUDGELL: That's correct.
- 53 MS. HENLEY ANDREWS, Q.C.: Okay. So, the revision by
54 Corner Brook Pulp and Paper of its forecast from 67
55 megawatts to 53 megawatts in 2002 now means that its
56 demand for 2002 or firm demand for 2002 is 56 megawatts,
57 right?
- 58 MR. BUDGELL: That's what I understand, yes.
- 59 MS. HENLEY ANDREWS, Q.C.: And based upon your
60 current proposal Corner Brook Pulp and Paper will pay the
61 firm rate for that 56 megawatts of demand?
- 62 MR. BUDGELL: Only if that's reflected in the forecast
63 which Hydro determines its rates on.
- 64 MS. HENLEY ANDREWS, Q.C.: Yes.
- 65 MR. BUDGELL: The supplemental evidence right now is
66 based on 67.
- 67 MS. HENLEY ANDREWS, Q.C.: Yes. But, if you ... but the
68 question was, with respect to Corner Brook Pulp and Paper,
69 is that right now they have locked in for 2002 to a demand
70 of 56 megawatts, is that right?
- 71 MR. BUDGELL: That's correct.
- 72 MS. HENLEY ANDREWS, Q.C.: And that they will pay
73 whatever Hydro's firm rate turns out to be, demand rate, for
74 that 56 megawatts?
- 75 MR. BUDGELL: That's correct.
- 76 MS. HENLEY ANDREWS, Q.C.: If Corner Brook Pulp and
77 Paper exceeds that demand, if they have a need for
78 additional demand, pursuant to Hydro's proposed
79 contractual relationship they will have to pay ... first of all,
80 the demand will have to be available, correct?
- 81 MR. BUDGELL: That's correct.
- 82 MS. HENLEY ANDREWS, Q.C.: And secondly, they
83 would have to pay whatever Hydro's non-firm rate would
84 be for that additional demand above and beyond the 56
85 megawatts?
- 86 MR. BUDGELL: That's correct.
- 87 MS. HENLEY ANDREWS, Q.C.: Which on the whole is a
88 less attractive rate, the rate that you're proposing, than the
89 demand rate?

- 1 MR. BUDGELL: I'm ...
- 2 MS. HENLEY ANDREWS, Q.C.: Is it cheaper or ...
- 3 MR. BUDGELL: I don't ... my memory right now, I don't
4 recall the actual number.
- 5 MS. HENLEY ANDREWS, Q.C.: Okay.
- 6 MR. BUDGELL: But I remember earlier discussions about
7 it. If I can be reminded what the values are? I don't have
8 the numbers in front of me, I don't ...
- 9 MS. HENLEY ANDREWS, Q.C.: Okay.
- 10 MR. BUDGELL: ... know whether one was higher than the
11 other, but I believe it was higher. I believe you're right.
- 12 MS. HENLEY ANDREWS, Q.C.: Okay. Now, if Corner
13 Brook Pulp and Paper has a lower demand in 2002 than 56
14 megawatts.
- 15 MR. BUDGELL: Yes.
- 16 MS. HENLEY ANDREWS, Q.C.: It will have to pay for the
17 56 megawatts that it's ordered anyway, right?
- 18 MR. BUDGELL: That's correct.
- 19 MS. HENLEY ANDREWS, Q.C.: And that's because Hydro
20 recovers the demand charge from the industrial customers
21 regardless of their actual demand? In other words, if
22 Corner Brook Pulp and Paper orders 56 megawatts for 2002
23 they pay for 56 megawatts except in exceptional
24 circumstances even if they only use 50?
- 25 MR. BUDGELL: That's right. That's the concept of the
26 power order.
- 27 MS. HENLEY ANDREWS, Q.C.: Newfoundland Power has
28 a blended rate?
- 29 MR. BUDGELL: Yes.
- 30 MS. HENLEY ANDREWS, Q.C.: So it pays only for the
31 energy that it consumes?
- 32 MR. BUDGELL: The rate is an energy charge.
- 33 MS. HENLEY ANDREWS, Q.C.: The rate is an energy
34 charge. But the rate has built into it a demand cost and an
35 energy cost?
- 36 MR. BUDGELL: Yes. There was a demand and energy
37 component that went into the rate, you're correct.
- 38 MS. HENLEY ANDREWS, Q.C.: That's based upon the
39 cost of service?
- 40 MR. BUDGELL: Yes, that's correct.
- 41 MS. HENLEY ANDREWS, Q.C.: And the cost of service
42 assumes a certain load factor for Newfoundland Power?
- 43 MR. BUDGELL: That's correct.
- 44 MS. HENLEY ANDREWS, Q.C.: And if Newfoundland
45 Power's load factor for the purpose of the cost of service
46 increases, then its rate will decrease? The amount of its
47 share of the revenue requirement will decrease?
- 48 MR. BUDGELL: That's correct.
- 49 MS. HENLEY ANDREWS, Q.C.: And if Newfoundland
50 Power's ... on the converse is that if Newfoundland Power's
51 load factor decreases when the rates are being set it will
52 pick up a larger share of the revenue requirement?
- 53 MR. BUDGELL: That's correct.
- 54 MS. HENLEY ANDREWS, Q.C.: And that will be reflected
55 in its rate?
- 56 MR. BUDGELL: That's correct.
- 57 MS. HENLEY ANDREWS, Q.C.: So when we're looking at
58 this hearing and the setting of the rates for 2002, the
59 amount of the demand cost that's contained in
60 Newfoundland Power's rates depends on what its forecast
61 demand and forecast load factor for 2002 are?
- 62 MR. BUDGELL: That's correct.
- 63 MS. HENLEY ANDREWS, Q.C.: And if Newfoundland
64 Power overstates its energy requirement for 2002 and
65 understates its demand for 2002 the industrial customers
66 will pick up costs in their rates set for 2002 that are not
67 properly theirs?
- 68 MR. BUDGELL: I don't know about the energy component,
69 because the energy, whether it's increased or decreased,
70 would mean more or less Holyrood, so there would be a
71 commiserate decrease in costs.
- 72 MS. HENLEY ANDREWS, Q.C.: Okay.
- 73 MR. BUDGELL: But what you're saying from a demand
74 component is correct.
- 75 MS. HENLEY ANDREWS, Q.C.: Okay. So if
76 Newfoundland Power overstates its ... understates its
77 demand for 2002 the industrial customers will pick up the
78 costs in their rates for 2002 that are not properly theirs?
- 79 MR. BUDGELL: Yes, the portion of fixed costs that go into
80 those rates.
- 81 MS. HENLEY ANDREWS, Q.C.: Okay. But, unlike the
82 industrial customers, Corner Brook Pulp and Paper, for
83 example, that we just discussed, Newfoundland Power has
84 no penalty if its demand is greater than its forecast, correct?
- 85 MR. BUDGELL: No. That's correct.
- 86 MS. HENLEY ANDREWS, Q.C.: That's correct. And ...
- 87 MR. BUDGELL: Not that I'm aware of, I'm saying.
- 88 MS. HENLEY ANDREWS, Q.C.: Okay.