

1 Q. How does the generation credit impact the revenue requirement from
2 Newfoundland Power and what is the total amount of the impact?

3
4
5 A. The generation credit impact the revenue requirement from Newfoundland
6 Power in the following ways:

7
8 1. Production and transmission demand allocation factors include the
9 generation credit, net of Newfoundland Power's assumed generation, as
10 follows:

| | | |
|----|---|---------|
| 11 | January MW as per load forecast | 1084.0 |
| 12 | Plus: NP expected generation | 77.5 |
| 13 | Less NP generation credit | (124.8) |
| 14 | MW (before losses) used for Coincident Peak | 1036.7 |

15
16 2. The system load factor is calculated using the customer-level Coincident
17 Peak.

18
19 3. Newfoundland Power's Coincident Peak also factors into the allocation of
20 rural deficit.

21
22 Both the generation to increase Newfoundland Power's demand to native load
23 and the generation credit have been removed from the calculation of demand
24 allocation factors. It must be noted that the results cannot be considered
25 meaningful, as they are based on Hydro's existing load forecast. We are unable
26 to speculate whether Newfoundland Power would change its load forecast to
27 utilize more or of its own generation, should the demand credit be unavailable.
28 The system load factor, which is used to classify hydraulic generation costs, was

1 also impacted by this scenario, and is subject to these same cautions. Please
2 see attached Page 3 for an analysis of the impacts on the 2004 Forecast Cost of
3 Service.

**Newfoundland and Labrador Hydro
2004 Test Year Scenario Analysis
Customer Impacts: NP Generation Credit Removed**

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---------------------------------|---|--------------------------|------------------------|--|--------------------------|------------------------|
| | Revenue Requirement Before Revenue Credit and Deficit Allocation | | | Revenue Requirement After Revenue Credit and Deficit Allocation | | |
| | May 2003 Filing | NP Gen Credit Removed | Increase (Decrease) | May 2003 Filing | NP Gen Credit Removed | Increase (Decrease) |
| Total System | | | | | | |
| 1 Newfoundland Power | 222,506,054 | 223,501,543 | 995,488 | 258,876,731 | 259,718,119 | 841,388 |
| 2 Island Industrial | 52,290,690 | 51,551,956 | (738,734) | 52,313,650 | 51,575,264 | (738,386) |
| 3 Labrador Industrial | 2,654,841 | 2,654,841 | - | 2,654,841 | 2,654,841 | - |
| 4 CFB - Goose Bay Secondary | 129,975 | 129,975 | - | 3,014,118 | 3,014,118 | - |
| 5 Rural Labrador Interconnected | 10,694,710 | 10,694,710 | - | 12,706,161 | 12,603,159 | (103,002) |
| Rural Deficit Areas | | | | | | |
| 6 Island Interconnected | 54,593,258 | 54,336,504 | (256,754) | 35,167,578 | 35,167,578 | - |
| 7 Island Isolated | 8,299,138 | 8,299,138 | - | 1,575,076 | 1,575,076 | - |
| 8 Labrador Isolated | 20,101,385 | 20,101,385 | - | 6,192,661 | 6,192,661 | - |
| 9 L'Anse au Loup | 2,745,185 | 2,745,185 | - | 1,514,420 | 1,514,420 | - |
| 10 Subtotal | 85,738,966 | 85,482,212 | (256,754) | 44,449,735 | 44,449,735 | - |
| 11 Total | 374,015,236 | 374,015,236 | 0 | 374,015,236 | 374,015,236 | 0 |