

1 Q. Confirm that the 2004 COSS provides no analysis of any demand related
2 costs for non-firm sales, and that the costs assigned to this service in the
3 COSS are solely the firm energy cost of \$.02808 per kWh. (Schedule 1.3,
4 page 1)

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7 A. The 2004 Cost of Service Study (COSS) does not provide analysis of
8 demand-related costs for non-firm sales. The COSS is prepared on an
9 embedded cost basis, and embedded energy costs of \$0.02808 per kWh are
10 assigned to this service.

11

12 Hydro's underlying concepts in proposing the industrial non-firm rates are:

- 13 (a) firm customers should be no worse off than if the non-firm service
14 were not provided; and
15 (b) payment from non-firm customers should contribute to the costs of the
16 services provided.

17

18 While Hydro's COSS has presented embedded costs for the industrial non-
19 firm rate class, it also re-allocates any excess revenues to its firm customers
20 on the Island interconnected system, leaving firm customers no worse off
21 than if the non-firm service had not been provided. The attached analysis
22 illustrates this.

**Newfoundland and Labrador Hydro
2004 Test Year Scenario Analysis
Customer Impacts: No Non-Firm Service**

	1	2	3	4	5	6
	Revenue Requirement Before Revenue Credit and Deficit Allocation			Revenue Requirement After Revenue Credit and Deficit Allocation		
	May 2003 Submission	No Non-Firm Service	Increase (Decrease)	May 2003 Submission	No Non-Firm Service	Increase (Decrease)
Total System						
1 Newfoundland Power	222,506,054	222,496,005	(10,050)	258,876,731	258,888,182	11,451
2 Island Industrial - Firm	52,268,229	52,264,286	(3,943)	52,263,898	52,264,286	388
3 Island Industrial - Non-Firm	22,461	0	(22,461)	49,752	0	(49,752)
4 Labrador Industrial	2,654,841	2,654,841	-	2,654,841	2,654,841	-
5 CFB - Goose Bay Secondary	129,975	129,979	4	3,014,118	3,014,118	-
6 Rural Labrador Interconnected	10,694,710	10,694,722	13	12,706,161	12,706,601	440
Rural Deficit Areas						
7 Island Interconnected	54,593,258	54,592,213	(1,045)	35,167,578	35,167,578	-
8 Island Isolated	8,299,138	8,299,140	2	1,575,076	1,575,076	-
9 Labrador Isolated	20,101,385	20,101,391	6	6,192,661	6,192,661	-
10 L'Anse au Loup	2,745,185	2,745,186	2	1,514,420	1,514,420	-
11 Subtotal	85,738,966	85,737,930	(1,036)	44,449,735	44,449,735	-
12 Total	374,015,236	373,977,763	(37,473)	374,015,236	373,977,763	(37,473)