

**Re: Page 39, lines 3-4**

Q. The evidence states "...there does not appear to be any credible basis to provide NP with any generation credit to reflect the thermal generation plant they have in service".

If the ICs are proposing to eliminate NP credit for thermal generation in its entirety, please provide rationale as to why it should receive no credit whatsoever for this generation in light of the fact that it can still be called on by Hydro to supply power at the time of a system constraint, and provide any other examples of customer-owned generation on Hydro's system for which the customer does not receive a credit from Hydro in one form or another.

A. Mr. Osler and Mr. Bowman propose that NP not be given any credit whatsoever for its thermal generation, as that generation provides minimal, if any, benefit to the system beyond supply it provides to NP's customers at times of transmission problems, etc. (and which is paid for in full by NP's customers). Also, the response to IC-188 indicates that Hydro does compensate NP for the costs of running its unit (such as fuel) when they are actually dispatched.

Hydro has a number of approaches it can call on to meet system peak in the most extreme conditions. These are set out in some detail at page 36 of Mr. Osler and Mr. Bowman's pre-filed testimony. A number of these capacity sources that can be used in a critical situation receive no cost-of-service credit, including the Deer Lake Power production at Step 3 (based on PUB-3 and Exhibit RDG-1 (Rev. 1)). It is clear that the IC coincident peak loads for the purposes of cost-of-service analysis of 162.514 kW per line 2 column 5 of Schedule 3.1A Exhibit RDG-1 Rev. 1 reflect total Power on Order of 178 MW times a 5 year average coincidence factor of 91.3% per PUB-3. In other words there is no

1 downward adjustment to the IC peak to reflect this source of capacity)  
2 or industrial customer "firm" load shedding at steps 9 and 10. In  
3 addition, the former Interruptible B rate program received no cost-of-  
4 service credit, but rather a once-a-year compensation of about \$1.3  
5 million (which is of far less value than a 46 MW cost-of-service credit  
6 consistent with the proposed NP generation treatment).  
7

8 For other small customer-owned generation (such as in one case a 1  
9 MW emergency generator) maintained by certain industrial customers,  
10 there is no compensation or credit from Hydro. As having a customer  
11 maintain such generation does not result in their otherwise firm load  
12 being transformed into some form of non-firm load, Mr. Osler and Mr.  
13 Bowman do not propose to provide credits for such generation. This is  
14 consistent with the proposed treatment of NP thermal generation as  
15 being excluded from the "NP generation credit".