

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".

To what extent do the ICs believe that, once installed, generating facilities should be reevaluated as to their usefulness on an ongoing basis?

A. Mr. Osler and Mr. Bowman are not proposing that generating facilities be reevaluated as to their usefulness on an ongoing basis. NP's generation, and the costs thereof, should properly be assessed for inclusion in NP's rates at an NP GRA.

The normal test for inclusion of an asset's costs in rates is the "used, useful and prudently acquired" approach. However, this is a test in regards to assets owned by a utility for which they seek to recover a certain revenue requirement from their customers (including typically a return on equity of some type). The NP generation is not relevant to this type of assessment in a Newfoundland Hydro proceeding. The test in this case is does the NP thermal generation result in a portion of the peak demand supplied to NP by Hydro being considered to be "non-firm" and as a result excluded from the cost-of-service study. Under this test, there does not appear to be any reasonable rationale put forward to support this portion of NP's peak being considered "non-firm".

Mr. Osler and Mr. Bowman have not proposed any adjustment whatsoever to the revenue requirement or costs Hydro is proposing to collect from customers as a result of a change in treatment of the NP generation – the only change is to who pays those costs. Mr. Osler and

1 Mr. Bowman's pre-filed testimony addresses the detail as to why other
2 customers on Hydro's system (including IC and Rural) should not be
3 made to pay additional costs as a result of NP's possession of this
4 thermal generation.