

1       Q.     What is there beyond any intervening transmission event, which would  
2             prevent the GNP diesel generation and Newfoundland Power's thermal  
3             generation from producing energy for the system under peak or for  
4             emergency situations at any time during the year?

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6       A.     Other than "intervening transmission events" GNP Generation and NP's  
7             thermal generation is connected to the grid should it be required at  
8             any time during the year. However, the likelihood of this generation  
9             being required for customers outside the local area at non-winter times  
10            is basically nil, based on Hydro's load profile.

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12            The concern with respect to GNP generation and NP thermal  
13            generation is not whether there is anything preventing these resources  
14            from being available to the grid. That is not the appropriate test for  
15            cost-of-service allocations. The appropriate test is whether these  
16            resources provide a value to any or all customers, and whether the  
17            costs they impose on customers is appropriate to the value they  
18            provide.

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20            For GNP resources, it is apparent that these generating units have only  
21            been retained by Hydro to improve reliability in the local area (Hydro  
22            states that it normally decommissions all expensive radial generation  
23            upon interconnection with the grid) and these units do not provide any  
24            reasonable benefits to other customers to justify the proposed \$1.393  
25            million cost to NP and IC.

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27            For NP generation, there is simply no basis to increase IC's costs by  
28            \$738,000 (per Table 6.4 in Mr. Osler and Mr. Bowman's pre-filed  
29            testimony) to reflect 45.5 MW of NP thermal generation (plus use this  
30            as justification to assign the Burin transmission as common, for an  
31            additional cost of \$232,000 to IC) when the IC customers only pay a  
32            total \$281,000 for 128 MW of Hydro's own gas turbines, which are

1           more readily available to the grid, dispatched sooner than NP's and  
2           under Hydro's direct control and larger.

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4           As an additional consideration, IC-187 NP indicates that the total  
5           annual cost of NP's gas turbines in NP's own revenue requirement is  
6           \$1.691 million. However, based on the cost of service allocation  
7           proposed by Hydro, the IC and Rural customers would be assigned  
8           \$995,000 in costs that are credited to NP to offset NP's rates. In other  
9           words, of the \$1.691 million annual cost to NP, Hydro's COS allocates  
10          almost \$1 million to its IC and Rural customers while NP's customers  
11          pay the remainder. This means that IC and Rural customers are  
12          assigned about 59% of NP's gas turbine costs in the test year, while  
13          NP's customers pay the remaining 41% via their rates. Even the costs  
14          of high-quality peaking resources available to Hydro, such as Hydro's  
15          gas turbines, are allocated only 12.64% to the IC group and 6.76% to  
16          Rural.

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18          In summary, there is no principled basis to use simple connection to  
19          the grid as a test to allocate this substantial amount of costs to the IC  
20          group when these resources are not of any material practical value,  
21          and when the costs are so massively in excess of any small value  
22          received.