NLH-208 PUB (Re: Page 22, lines 21-23)

Please provide the evidence that was relied on that any Newfoundland Power generation is embedded in Hydro's service territory.

Response:

EES Consulting arrived at this conclusion after reviewing Hydro's application, and in particular Section 4 of the Stone & Webster Management Consultants evidence on a Rate Design for Newfoundland Power, which discussed a need to credit NP load data for NP generation. Page 6 of the SWMCI evidence states: "NP's generation benefits the island interconnected system and in Hydro's cost of service, a demand credit is given to NP to recognize this. With the introduction of a demand component to the NP rate, the treatment of the generation credit becomes more prominent and the question arises as to whether present methodology should be continued or perhaps a change is warranted". Unless NP generation provides some operational or cost advantage that cannot be replicated by Hydro, EES Consulting is unaware of any "benefits to the island interconnected system" that NP generation could provide except for being connected to Hydro infrastructure.

Furthermore, EES Consulting observed in Hydro's study entitled "Review of COS Assignment for the GNP, Doyles-Port aux Basques, and Burin Peninsula Assets" (pages 21 and 22 as well as Table 2-1 of JRH-3) that on the Burin peninsula, NP relies upon Hydro transmission to connect to the Island Interconnected system.

Finally, in its response to PUB-181 NLH, Hydro provided "actual recorded meter data for all points of supply between Hydro and NP", in which the associate documentation identified three meter points NP energy is delivered to the Hydro system: Boyd's Cove Terminal Station (BDC), Kings Point (KPT), and Seal Cove Road Terminal Station (SCR).

Therefore, EES Consulting concludes that at least some NP generation passes through Hydro infrastructure in the process of being delivered to NP load centres. To the extent that NP must rely on Hydro infrastructure at least some of the time, it is the position of EES Consulting that NP should be allocated the full cost of transmission.

There are two possible circumstances that would cause EES Consulting to modify its recommendation.

- If NP does not require Hydro infrastructure to deliver energy to NP load centres at any time, then EES Consulting would recommend that no generation credits be

given to NP. If all NP generation is 'behind the fence', then the actual gross billing determinants would appropriately reflect NP's use of Hydro resources.

- If NP generation does flow through Hydro infrastructure but NP can demonstrate that (i) the flow is inadvertent and that NP could continue to deliver the power without the aid of Hydro infrastructure, and (ii) that NP does not benefit from improved reliability and operational flexibility of wheeling power through the Hydro system, then we would recommend that generation credits should apply to both transmission and generation.

However, EES Consulting has not observed any evidence put forward in this preceding that would suggest either scenario is occurring.