

Reference NLH-53 NP and NLH-57 NP

Q. Does the introduction of a two-part energy rate require a change in the Weather Normalization Reserve to reflect the change in seasonal power purchase costs? Please discuss this in the context of varying hydraulic generation seasonally and the impact on Newfoundland Power's cost versus Newfoundland Power's customer costs.

A. If a two-part energy rate that prices energy differently by time of year is approved, it is assumed the purchased power energy charge for determining reserve adjustments will also differ by time of year.

As explained in response to NLH-214 NP, the Hydro Production Equalization Reserve enables the Company to normalize its purchased power expense for annual variations in normal stream-flows to its hydro plants. Under the two-part Sample Rate presented by Hydro, shifting production from October to November may result in reduced annual purchased power expense. Assuming normal stream-flows, this shifting of production will not affect the adjustments to the Hydro Production Equalization Reserve.