

1 **Perry and Henderson**

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3 **Q. Please provide a copy of CA-287 from Newfoundland Power's 2003 GRA.**

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5 **A.** A copy of Newfoundland Power's response to Request for Information CA-287 from
6 Newfoundland Power's 2003 General Rate Application is provided as Attachment A.

**Newfoundland Power's response to CA-287
from Newfoundland Power's 2003 General Rate Application**

1 **Q. In reference to the evidence of Lorne Henderson, page 20, lines 8 to 9 - “The**
2 **Company is proposing the Curtailable Service Option continue to be based on a**
3 **credit of \$29 per kVA.” - what is the value of the Curtailable Service Option to**
4 **Newfoundland Power?**

5
6 A. In reference to page 20, lines 8 to 9 of Lorne Henderson’s evidence, the value of the
7 Curtailable Service Option to Newfoundland Power can be viewed from a short-run
8 perspective (i.e., through a reduced allocation of embedded costs from Newfoundland
9 and Labrador Hydro (“Hydro”)) or from a long-run perspective (i.e., through the deferral
10 of the construction of additional generating facilities).

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12 Historically, the short-run savings for the reduced demand were provided to
13 Newfoundland Power’s customers through the operation of Hydro’s Rate Stabilization
14 Plan (RSP) as Hydro re-allocated embedded demand costs between the Industrial and
15 Retail portions of the RSP based on actual peak demands.

16
17 Effective September 1, 2002, Newfoundland Power’s reduced peak demand forecast
18 (from the operation of the Curtailable Service Option) will be used by Hydro in General
19 Rate proceedings to lower the embedded demand costs allocated to Newfoundland
20 Power. The effects of the lower embedded demand costs will be reflected in lower rates
21 to the Company’s customers. These savings can be viewed as the short run value of the
22 Curtailable Service Option.

23
24 The long-run savings due to the Curtailable Service Option depend on the marginal cost
25 of generation capacity. As discussed in the report provided in response to Request for
26 Information CA-295, the marginal cost of generation capacity is currently unknown. The
27 Company is proposing to use Hydro’s Interruptible B credit (i.e., based on the savings
28 from deferring the construction of a gas turbine) as a proxy in determining an appropriate
29 credit for the Curtailable Service Option.