

Perry and Henderson

Q. With respect to DSM and marginal costing, provide annual carrying cost per kW of a single cycle gas turbine peaking unit.

A. Newfoundland Power has not recently completed an estimate of the cost per kW of a single cycle gas turbine peaking unit. However, two estimates that Newfoundland Power is aware of include:

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| Newfoundland Hydro Levelized Cost – 50 MW G.T. (see CA-8 NLH) | 100 \$/kW |
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| Newfoundland Power 1997 Economic Carrying Charge - 50 MW G.T. (see CA-235 NP, Appendix C, Schedule 3) | 83.1 \$/kW |
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The above costs do not necessarily represent the current marginal / incremental cost of peak demand on the Island Interconnected System that should be used in evaluating DSM.

Evaluation of DSM requires determining the impact that load variations will have on costs into the future. In response to Request for Information NP-154 NLH Hydro indicated that reducing demand would not impact the timing of the next new generator. Also, Hydro has discontinued its Interruptible B contract implying that \$28.20 per kW per year is too high a price to pay to reduce demand at time of peak. Both of these factors indicate that the current value of demand is likely well below the annual carrying cost of a single system gas turbine as listed above.