

1 **Larry B. Brockman**

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3 **(Re: Pages 7-19 - marginal cost)**

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5 **Q. In recognition of the fact that Hydro's Island Interconnected cost of service study**
6 **classifies hydraulic and Holyrood between energy and demand based on system load**
7 **factor and plant capacity factor respectively, is this, in NP's view, a reasonable**
8 **reflection of the fact that generation plant additions can be driven by demand as**
9 **well as energy? If it is only energy that is relevant, is it NP's contention that the**
10 **basis for cost causation of Hydro's Island generating resources are energy-related**
11 **and should be classified as such in its cost study? If not, please explain.**

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13 **A.** Newfoundland Power's view, and Mr. Brockman's view, is that both demand and energy
14 are relevant considerations when classifying hydraulic generation and Holyrood. The
15 relative cost causation of demand and energy on Hydro's expansion plans was argued at
16 great length in the Generic Cost of Service Proceeding in 1992. After hearing all
17 positions on the matter, the Board rendered a Decision. Newfoundland Power accepts
18 the Board's Decision. It is beyond the scope of this proceeding to address the question
19 posed.