1	Q.	In the Stone and Webster report "Review of Rate Design for Newfoundland
2		Power", Appendix 2 – Treatment of Newfoundland Power Generation Credit,
3		Exhibit 2 presents three scenarios showing the potential production costs
4		Newfoundland Power might incur to minimize demand costs if there was no
5		generation credit. Please describe the difference between Scenario 1 and
6		Scenario 2 and which scenario is more likely given perfect information, as
7		assumed in Scenario 1, does not exist.
8		
9		
10	A.	As stated in the report "Review of Rate Design for Newfoundland Power", the
11		analysis in Appendix 2 of that report assumes that changing the treatment of
12		the demand credit would not change the expected amount of energy
13		generated from NP's hydraulic plants. On this basis, the operation of NP's
14		hydraulic plants is assumed to be the same in both of the scenarios 1 and 2
15		evaluated.
16		
17		Under Scenario 1, with perfect information, NP would know the time and
18		duration of its annual peak demand and would be able to run its total thermal
19		capacity to minimize its peak demand. For purposes of this discussion, this
20		reduced peak demand will be referred to as the Metered Demand. For all
21		other occasions within the same year during which the load would otherwise
22		be above the Metered Demand (as established above), NP would run only
23		enough capacity to reduce its load to the Metered Demand. In other words,
24		NP would peak shave all loads (and only those loads) above its Metered

Demand.

25

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1	Under Scenario 2, without perfect information, it is assumed that NP would
2	run its full thermal capacity for a total of approximately 200 hours per year
3	during times when loads are expected to be approaching peak demand.
4	With regard to which scenario is more likely; these two scenarios represent
5	expected extreme conditions around NP's operation. The scenarios were
6	designed to estimate the outer boundaries of additional system costs due to
7	a rate design alternative. Therefore, an assessment of which outcome would
8	be more likely to occur is not relevant.