

1 Q. The evidence of Mr. C.F. Osler and Mr. P. Bowman, on page 43 at line
2 5 states: "the industrial customer has to pay the full incremental costs
3 to service any load growth". Please provide a comparison of the full
4 incremental demand and energy costs and the demand and energy
5 charges to the Industrial Customers?
6

7 A. The short-run incremental costs to the system vary depending on
8 whether Holyrood is the marginal source of generation (most of the
9 year) or whether the gas turbines are in operation (very seldom).
10 Regardless the IC non-firm rate, under which load increases (above
11 Power on Order) for industrial customers are served, ensures that
12 these customers pay the entire cost of fuel for either source, plus 10%
13 for "administrative and variable O&M". Under this energy rate, the
14 customer pays for all incremental costs, including variable costs in
15 excess of the 0.45 cents/kW.h that Hydro suggests in IC-374 are
16 longer-term system equipment maintenance costs.
17

18 Hydro also proposes to charge these customers \$1.50 per kW per
19 month as a demand charge despite there being no incremental costs
20 of demand to service this load, and despite this being generally
21 inconsistent with the interruptible energy rate practice in Canada, as
22 reviewed in Attachment G of Mr. Osler and Mr. Bowman's pre-filed
23 testimony. Mr. Osler and Mr. Bowman propose elimination of this non-
24 firm demand charge.