

1 Q. Please update the response to IC-190 NLH from the 2003 General Rate
2 Application.

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5 A. IC-190 NLH from Hydro's 2003 General Rate Application reads:

6 *How does the generation credit impact the revenue requirement from*
7 *Newfoundland Power and what is the total amount of the impact?*

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9 The inclusion of the credit for Newfoundland Power's generation in the Cost
10 of Service Study provides Newfoundland Power with a lower allocated
11 revenue requirement, which reflects the net impact of:

- 12 - receiving compensation for its generation; and
13 - paying for its allocated share of that compensation as a customer.

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15 In addition to compensation for generation and transmission costs, the
16 existing credit mechanism reflects a credit to NP for system load factor
17 impacts and also for any difference between NP's forecast hydraulic
18 generation (82,000 kW) and the credit for its hydraulic generation (80,104
19 kW). This difference serves to increase Newfoundland Power's CP and its
20 allocated share of demand costs.

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22 The attached schedule of customer impacts is based on the Cost of Service
23 Study provided in response to IC 38 NLH, and shows that Newfoundland
24 Power's allocated revenue requirement (before deficit allocation) is lower by
25 \$593,000.

Further explanation of this amount is contained in the following table:

Newfoundland and Labrador Hydro NP Generation Credit Existing Credit Mechanism - 2007 Forecast Cost of Service		
		(\$000)
Gross compensation to NP:		
Generation costs		(2,732)
Transmission costs		<u>(733)</u>
		(3,465)
Less NP's cost share of compensation at	85.68% ⁽¹⁾	2,969
System load factor implications		<u>(128)</u>
Net Value of Credit to NP		<u>(624)</u>
Difference in NP's hydraulic generation forecast and NP's hydraulic generation credit		<u>31</u>
Total NP Difference		<u><u>(593)</u></u>

⁽¹⁾ NP's demand cost allocation percentage without reduction for thermal credit.

The response to NP 67 NLH outlines the impact of the proposed changes to NP's generation credit.

**Newfoundland and Labrador Hydro
2007 Forecast Cost of Service Scenarios**

	1	2	3	4	5	6
	Revenue Requirement Before Revenue Credit and Deficit Allocation			Revenue Requirement After Revenue Credit and Deficit Allocation		
	2007 ⁽¹⁾ Test Year Rev.NP Generation	2007 Test Year No NP Gen Credit	Increase (Decrease)	2007 ⁽¹⁾ Test Year Rev.NP Generation	2007 Test Year No NP Gen Credit	Increase (Decrease)
Total System						
1 Newfoundland Power	290,858,791	291,452,232	593,441	329,968,265	330,425,382	457,118
2 RSP Activity	-	0	-	(2,812,750)	(2,816,040)	(3,290)
3 Subtotal Newfoundland Power	290,858,791	291,452,232	593,441	327,155,515	327,609,342	453,827
4 Island Industrial	44,565,034	44,173,943	(391,091)	44,837,448	44,448,100	(389,348)
5 Labrador Industrial	2,897,096	2,897,096	-	2,897,096	2,897,096	-
6 CFB - Goose Bay Secondary	138,636	138,636	-	4,548,798	4,548,798	-
7 Rural Labrador Interconnected	11,411,158	11,411,158	-	14,601,668	14,537,189	(64,479)
Rural Deficit Areas						
8 Island Interconnected	56,795,865	56,593,516	(202,349)	39,721,329	39,721,329	-
9 Island Isolated	8,630,461	8,630,461	-	1,471,495	1,471,495	-
10 Labrador Isolated	25,245,150	25,245,150	-	7,239,552	7,239,552	-
11 L'Anse au Loup	3,726,009	3,726,009	-	1,795,300	1,795,300	-
12 Subtotal	94,397,485	94,195,136	(202,349)	50,227,676	50,227,676	-
13 Total	444,268,202	444,268,202	(0)	444,268,202	444,268,202	(0)

⁽¹⁾ Revised coincident peak (refer to IC 41 NLH).