Q. Provide a table summarizing the cost effects on Newfoundland Power and the Industrial Customers incorporating the proposed changes with respect to the generation credit in the 2007 Cost of Service Study. (Rates Evidence, page 18)

A. With regard to the treatment of NP's generation in the Cost of Service Study, Hydro is proposing that the system load factor implications, as well as transmission cost impacts be removed from the compensation to NP. These changes will increase NP's revenue requirement (before deficit allocation) by $245,000, and decrease the IC revenue requirement by $198,000 (see page 3 attached).

With reference to IC 37 NLH, the existing net value of the credit to NP is $624,000. As indicated in the preceding paragraph, the proposed changes will reduce the credit (increase NP's revenue requirement) by $245,000, leaving NP with a net credit for the value of its generation of $379,000.

The derivation of the $379,000 is shown in the following table.

Newfoundland and Labrador Hydro
Value of NP Generation Credit
Proposed Credit Mechanism - 2007 Forecast Cost of Service

	Island Interconnected System:			
1	Generation demand costs ($)		91,542,343 [1]	Sch 2.1A, C.3, L 23
2	Coincident peak (kW)		1,307,505	Sch 3.1A, C.3, L. 13
3	Generation demand costs ($/kW)		70.01	L.1 / L.2
4	NP thermal generation (kW)		37,826	
5	Gross value of credit to NP ($)		2,648,198	L.3 x L.4
6	Less NP's cost share of compensation at	85.68% [2]	(2,269,042)	L.5 x 85.68%
7	Net value of credit to NP ($)		379,156	L.5 - L.6

[1] After adjustment to remove system load factor implications.

[2] NP's demand cost allocation percentage without reduction for thermal 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	Proposed NP Generation Credit	Increase (Decrease)	2007 [1] Test Year Rev.NP Generation	Proposed NP Generation Credit	Increase (Decrease)
	Total System						
1	Newfoundland Power	290,858,791	291,103,914	245,122	329,968,265	330,171,685	203,421
2	RSP Activity	-	0	-	(2,812,750)	(2,812,901)	(152)
3	Subtotal Newfoundland Power	290,858,791	291,103,914	245,122	327,155,515	327,358,784	203,269
4	Island Industrial	44,565,034	44,367,222	(197,812)	44,837,448	44,641,301	(196,147)
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	14,594,546	(7,122)
	Rural Deficit Areas						
8	Island Interconnected	56,795,865	56,748,555	(47,310)	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**	**94,350,175**	**(47,310)**	**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).