

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 On page 11 (lines 17 to 22) it is stated *“Hydro proposes to continue to use system load*
4 *factor for classification of Other Power Purchases (excluding Wind), the largest of which is*
5 *Exploits generation. From an operational perspective, Hydro operates Exploits assets no*
6 *differently than if Hydro owned the hydraulic production assets. Hydro has been informed*
7 *by the Government that the long-term plan is to transfer ownership of the Exploits assets to*
8 *Hydro. This classification would also apply to Hydro’s purchases of Recapture Energy from*
9 *CF(L)Co.”* Page 17 (lines 15 – 20) of the CA Energy Consulting Report states *“Additionally, if*
10 *the equivalent peaker approach, with its grounding in system planning, appeals*
11 *conceptually to Hydro, the utility may wish to consider applying this approach to its entire*
12 *fleet of Interconnected generation. The theoretical advantage is that each unit is judged for*
13 *its demand and energy components under the same set of assumptions. The challenge is to*
14 *compute the current value of each generation unit. (Indexes like the Handy-Whitman are*
15 *available for this purpose.)”* Please provide all supporting documentation that led Hydro to
16 propose classification of other power purchases (excluding wind) on the basis of system
17 load factor including a comparison of the impact on Island customer classes of using this
18 classification to a classification based on the equivalent peaker approach. If it was decided
19 that the equivalent peaker was the appropriate classification approach, would a 20%/80%
20 demand/energy split be an appropriate approximation as Hydro proposes for Muskrat
21 Falls?

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24 A. Newfoundland and Labrador Hydro is proposing to use the system load factor approach for
25 classification of purchases from hydraulic generation for the same reason as classification
26 of costs related to its own hydraulic generation. Please refer to the response to NP-NLH-
27 002. Newfoundland and Labrador Hydro’s responses to CA-NLH-003 and CA-NLH-008
28 discuss the impacts of using an equivalent peaker approach rather than a system load
29 factor approach.