

1    Q.    **Cost of Service**

2            (Re: Amended GRA) Section 4.3.3 (page 4.15 – 4.17) addresses Holyrood capacity  
3            factor. Please provide a table showing the impact of the proposed change on cost of  
4            service allocations to the Island Interconnected System customer classes including  
5            dollar amounts and average cents/kWh. Please include in the table the impact of  
6            using a Holyrood capacity factor based on the forecast capacity factor averaged  
7            over the three-year period from 2015 through 2017 when the proposed rates are  
8            expected to be in effect.

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11    A.    Please see CA-NLH 291 Attachment 1 for the impact on Cost of Service allocations  
12            for Island Interconnected System customers of using the proposed 28% five-year  
13            average Holyrood capacity factor compared to using 24% based on the current Cost  
14            of Service approved methodology<sup>1</sup>. The table also includes the impact of using a  
15            Holyrood capacity factor based on the forecast capacity factor averaged over the  
16            three-year period from 2015 through 2017 (i.e., 43%). A summary of the Island  
17            Interconnected System revenue requirement by customer class for production costs  
18            under the three scenarios is provided in Table 1.

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<sup>1</sup> Hydro is proposing to include the 2015 Test Year forecast in the calculation of the five-year average Holyrood capacity factor. The currently approved Cost of Service methodology requires the use of a historical five-year period. See Table 4.4 on Page 4.16 of the Evidence to Hydro's Amended Application for the calculation of the 28% and 24%, respectively.

**Table 1**

**Island Interconnected Revenue Requirement**

<b>Production Costs</b>	<b>As Filed</b>	<b>2010-2014 Average</b>	<b>2015-2017 Average</b>
<b>Newfoundland Power</b>			
Demand	126,113,509	127,804,148	119,261,026
Energy	305,009,770	303,396,663	311,548,003
	<u>431,123,279</u>	<u>431,200,811</u>	<u>430,809,029</u>
Changed Relative to As Filed in \$		77,532	(314,250)
Expressed in cents/kWh		0.0013	(0.0053)
<b>Industrial Customers</b>			
Demand	7,350,731	7,449,272	6,951,322
Energy	31,993,564	31,824,359	32,679,382
	<u>39,344,295</u>	<u>39,273,631</u>	<u>39,630,704</u>
Changed Relative to As Filed in \$		(70,664)	286,409
Expressed in cents/kWh		(0.0114)	0.0461
<b>Hydro Rural</b>			
Demand	8,910,345	9,029,795	8,426,195
Energy	23,884,499	23,758,181	24,396,490
	<u>32,794,844</u>	<u>32,787,976</u>	<u>32,822,685</u>
Changed Relative to As Filed in \$		(6,868)	27,841
Expressed in cents/kWh		(0.0016)	0.0065
<b>Total</b>			
Demand	142,374,585	144,283,215	134,638,543
Energy	360,887,833	358,979,203	368,623,875
	<u>503,262,418</u>	<u>503,262,418</u>	<u>503,262,418</u>

Comparison of Customer Impact of Cost of Service allocation methodologies for calculation of Holyrood Capacity Factor

Line No		A	B	C	D	E	F	G	H
		Basis of Allocation		Proposed Method (5 yr avg incl 2015 Test Year of 28%)		Approved Method (5 yr historical avg of 24%)		Requested Method (3 yr avg for 2015-2017 of 43%)	
		Production Demand	Production Energy	Production Demand	Production Energy	Production Demand	Production Energy	Production Demand	Production Energy
		(1 CP kW)	(MWh @ Gen)	\$	\$	\$	\$	\$	\$
1	Total Island Interconnected Revenue Requirement			142,374,585	360,887,833	144,283,215	358,979,203	134,638,543	368,623,876
	Allocated Cost:								
2	Newfoundland Power	0.8858	0.8452	126,113,509	305,009,770	127,804,148	303,396,663	119,261,026	311,548,003
3	Industrial - Firm	0.0516	0.0887	7,350,731	31,993,564	7,449,272	31,824,359	6,951,322	32,679,382
4	Industrial - Non-Firm	-	-	-	-	-	-	-	-
5	Rural								
6	1.1 Domestic	0.0167	0.0171	2,372,988	6,169,217	2,404,799	6,136,590	2,244,049	6,301,461
7	1.12 Domestic All Electric	0.0220	0.0219	3,137,246	7,899,865	3,179,303	7,858,085	2,966,781	8,069,208
8	1.3 Special	0.0001	0.0001	9,988	19,396	10,121	19,293	9,445	19,811
9	2.1 GS 0-10 kW	-	-	-	-	-	-	-	-
10	2.2 GS 10-100 kW	0.0102	0.0118	1,454,442	4,254,892	1,473,940	4,232,389	1,375,414	4,346,101
11	2.3 GS 110-1,000 kVa	0.0086	0.0094	1,226,185	3,383,825	1,242,623	3,365,929	1,159,559	3,456,361
12	2.4 GS Over 1,000 kVa	0.0044	0.0055	632,558	1,999,891	641,037	1,989,314	598,187	2,042,761
13	4.1 Street and Area Lighting	0.0005	0.0004	76,940	157,413	77,972	156,581	72,759	160,788
14	Subtotal Rural	0.0626	0.0662	8,910,345	23,884,499	9,029,795	23,758,181	8,426,194	24,396,490
15	Total	1.0000	1.0000	142,374,585	360,887,833	144,283,215	358,979,203	134,638,543	368,623,876