

1 **Q. (Re: Pre-filed Testimony of Douglas Bowman, page 24, line 16): The**
2 **Testimony indicates that the CBPP "Costs Exceed Benefits". However, the**
3 **Hydro evidence indicates that the agreement provides net savings to both CBPP**
4 **and all other ratepayers, with no incremental costs? Please indicate what is**
5 **meant by "costs" at line 16.**

6
7 A. Hydro has proposed a revenue requirement of \$568.1 million in the 2013 GRA
8 (page 3.18 of GRA Application Volume I). Once this revenue requirement has been
9 determined, rates are designed to collect it from customers. In CA-NLH-59, Hydro
10 indicates that CBPP will save an average of \$641,700 annually through reduced bills
11 during the 2014 through 2017 time frame. This savings to CBPP must be made up by
12 other customers on the system; i.e., their rates must be increased to recover the lost
13 revenue so that Hydro can recover its approved revenue requirement. Therefore, the
14 CBPP savings represent a “cost” to the non-participating customers such as NP and
15 the other ICs including Vale, Praxair, North Atlantic Refining and Teck Resources.
16 This “cost” is offset by the energy benefits which according to CA-NLH-56 will
17 average \$600,000 annually (pre-Muskrat Falls during the 2014 through 2017
18 timeframe). Therefore the net “cost” to the other ICs and NP is forecast to average
19 \$41,700 annually. The net “cost” would be expected to increase after Muskrat Falls
20 commissioning because the energy benefits are expected to be reduced owing to the
21 lower marginal cost of energy. The IC’s expert witnesses confirm that the benefits
22 will change post Muskrat Falls when they state (page 45, lines 24 to 25 of their Pre-
23 filed Testimony) *“It is acknowledged that the economics of the contract revision will*
24 *be different following the Labrador infeed and may need to be reassessed at a future*
25 *GRA”.*