Q. Further to page 36, lines 21-29, please state whether you agree or disagree with the following statements and explain your position.

> The Industrial Customer contracts all currently include a provision for interruptible demand. Provided the Amount of Power on Order is equal to or greater than 20,000 kW, the amount of Interruptible Demand and Energy available shall be the greater of 10% of the Amount of Power on Order and 5,000 kW. If the Amount of Power on Order is less than 20,000 kW, the Amount of Interruptible Demand and Energy available shall be 25% of the Amount of Power on Order. The test year cost of service study does not include interruptible demand in determining the peak demand for the Industrial Customer Class in cost allocation.
>
> Newfoundland Power currently makes a Curtailable Service Option available to its customers. Newfoundland Power curtailable load represents less than 1% of their forecast maximum native load. The forecast maximum native load reflected in Hydro's test year cost of service study assumes Newfoundland Power is curtailing load during peak. Therefore, from a test year cost of service allocation perspective both the Industrial Customers interruptible demand and the Newfoundland Power curtailable load are treated on a comparable basis for demand allocation purposes.

A.

Messrs Bowman and Najmidinov agree that "...Industrial Customers interruptible demand and the Newfoundland Power curtailable load are treated on a comparable basis for demand allocation purposes", however the comparison is irrelevant and inappropriate. This is because Industrial Customer interruptible Demand and NP curtailable load are entirely different types of service, as follows:

	NP Curtailable Load	IC Interruptible Demand
Energy Usage Expectation	The customer is expected to make use of the demand and energy associated with Curtailable Load over the vast majority of hours of the year.	The use of Interruptible Demand would be a fairly unusual occurrence and not a normal supply condition over most hours of the year.
Energy Commitment	The energy associated with the NP Curtailable Load is a firm power service, and forms part of Hydro's obligation to serve, and to plan and build the system. The energy and peak loads are included in system planning calculations. In short, if a customer on curtailable service wants to use power, Hydro must provide the power (outside of a very short annual window where curtailments occur).	There are no guarantees of supply associated with the energy supplied by the Interruptible Demand provision. The customer is to request to take the power in advance, and Hydro will notify the customer if energy is available. Hydro would not consider Interruptible Demand to have any associated obligation to serve, and would not include Interruptible Demand or the associated energy in its system planning calculations.
Pricing Commitment	The customer can use the demand and energy associated with Curtailable Load at a fixed prices reflective of Cost of Service pricing (i.e., average pricing over all of Hydro's load)	The customer faces an unstable pricing that is pegged to the highest cost supply on the system at a given time, including very high priced sources such as gas turbines.

In short, the industrial Interruptible Demand load is similar to many other types of inconsistent non-firm service in many jurisdictions, which covers 100% of marginal costs or more and is not included in cost of service calculations. The NP Curtailable Load however is, outside of at most a very small percentage of hours in a year, exactly the same characteristics as any other firm load on the system. There is no reason these two supply arrangements would have treatment in a cost of service study that is in any way comparable.