

1 Q. In Order No. P.U. 7 (2002-2003), the Board states on page 115:

2 *"The Board is not convinced that there is any inherent unfairness in the methods*  
3 *in which NLH treats the non-firm load and demand credit for the IC and NP. While*  
4 *the end result of the Interruptible 'B' credit and the generation credit is the same*  
5 *i.e. additional energy is available to the system when needed, the mechanisms are*  
6 *different and hence it would be expected that the method for compensation would*  
7 *be different.*

8 *The Board accepts NLH's treatment of the generation credit for NP and the*  
9 *Interruptible 'B' credit for the IC."*

10 Does InterGroup agree that Hydro is proposing in the 2015 Cost of Service Study to  
11 treat the Newfoundland Power curtailable credit in a conceptually similar manner as the  
12 Newfoundland Power generation credit? If not, please explain why not.

13 A. Not agreed. The quote is from the Board Order in the 2003 GRA, during which a single  
14 Generation Credit was provided for both Newfoundland Power hydraulic and thermal  
15 generation. This is no longer the case, as after a full review by Hydro's Cost of Service  
16 consultants (then known as Shaw Stone and Webster), the Newfoundland Power  
17 thermal generation is no longer provided a credit for demand-related costs of  
18 transmission, and the system load factor calculation is not adjusted to reduce the peak  
19 for the NP thermal generation . This is because the units are solely a backup resource  
20 and are rarely run. The NP hydraulic generation continue to receive a generation credit  
21 for both generation and transmission, and the system load factor continues to be  
22 adjusted downwards to reflect the NP hydraulic generation dispatch, as these units are  
23 routinely run. Note that the review by Shaw Stone and Webster did not consider NP's  
24 Curtailable Service Option.

25 The NP Curtailable Load is presently proposed to receive a credit akin to hydraulic  
26 generation (i.e., receives a credit such that this portion of NP's load is assigned no  
27 demand-related costs of either transmission or generation).

1        In respect of the mathematics, the curtailable is comparable to the more generous  
2        hydraulic credit and not the more limited thermal credit. However, for the above reasons  
3        this is not similar in concept, as the Curtailable Load is not comparable to either  
4        hydraulic generation that is routinely run, or even to the NP thermal generation that is  
5        only run on occasion but without limits to its operating hours.