

1 Q. Further to response to Requests for Information NP-NLH-123 and
2 NP-NLH-150:

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4 Please reconcile the response of Lummus Consultants (response to Request for
5 Information NP-NLH-123) which indicates the wholesale demand charge provides a
6 benchmark for Newfoundland Power in assessing load management initiatives, with
7 Hydro's position (response to Request for Information NP-NLH-150) which indicates
8 that a more than doubling of the wholesale demand charge should not be
9 interpreted by Newfoundland Power as a signal for assessing conservation and
10 demand management initiatives.

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13 A. []

14 As stated in Hydro's Evidence to its Amended Application, Hydro is no longer
15 proposing an embedded cost-based demand rate for Newfoundland Power, but
16 rather Hydro is proposing the demand charge be set at \$5.50 per kW per month.
17 The proposed demand charge reasonably reflects the marginal capacity costs for
18 the period 2015-2017 with the inclusion of the new combustion turbine at
19 Holyrood. The proposed demand charge is also comparable to the marginal capacity
20 costs estimated using the NERA methodology beyond 2017 based upon the
21 Labrador Interconnection scenario.¹ The use of marginal costs in pricing should
22 provide a reasonable benchmark for NP in assessing load management initiatives
23 and provide a price signal to reflect efficiency.

¹ See Section 4.5 of Evidence to the Amended Application.