

1 Q. The response to PUB-NLH-397 says “*The updated marginal capacity cost estimate*
2 *was materially lower than the average embedded demand cost for Newfoundland*
3 *Power (NP) derived from the 2015 Test Year Cost of Service Study*”, and later “*The*
4 *proposed demand charge gives consideration to both embedded demand costs and*
5 *marginal capacity costs...*” Please explain how a \$5.50 per kW per month demand
6 charge to NP takes into consideration embedded costs when the derived cost-based
7 demand charge to NP is \$10.18 per kW as shown on the 2015 COS (Updated Exhibit
8 13).

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11 A. The material increase in the proposed demand charge from \$4 per kW per month to
12 \$5.50 per kW per month (approximately 38%) is supported by increased embedded
13 demand costs compared to the previous test year. The average embedded demand
14 cost has increased approximately 50% from \$6.68 per kW in the 2007 Test Year Cost
15 of Service Study to \$10.18 per kW in the 2015 Test Year Cost of Service Study.