

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. Whereas the wholesale demand charge provides a benchmark for Newfoundland
14 Power (NP) in assessing load management initiatives, its principal purpose is to
15 provide a cost-based price signal. Viewed from a different perspective, the present
16 demand rate to NP was largely the result of negotiation, and is significantly less
17 than a cost-based rate. The proposed demand rate to NP virtually doubled and now
18 approaches demand costs as per the Cost of Service. There was only a moderate
19 increase in the demand costs from 2007 to 2013.