

1 Q. **Reference: 2018 Cost of Service Methodology Review Report dated November 15, 2018**

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3 On page 11 (lines 13 to 14) it is stated *“Hydro proposes to continue to use system load*
4 *factor for classification of its existing hydraulic based generation.”* Page 17 (lines 15 – 20) of
5 the CA Energy Consulting Report states *“Additionally, if the equivalent peaker approach,*
6 *with its grounding in system planning, appeals conceptually to Hydro, the utility may wish*
7 *to consider applying this approach to its entire fleet of Interconnected generation. The*
8 *theoretical advantage is that each unit is judged for its demand and energy components*
9 *under the same set of assumptions. The challenge is to compute the current value of each*
10 *generation unit. (Indexes like the Handy-Whitman are available for this purpose.)”* Please
11 provide all supporting documentation that led to Hydro’s decision to propose classification
12 of existing hydro generation on the basis of system load factor including a comparison of
13 using this classification to a classification based on the equivalent peaker approach.

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16 A. Please refer to response to NP-NLH-002 for the justification of Newfoundland and Labrador
17 Hydro’s (“Hydro”) proposal to continue to use the system load factor approach for existing
18 hydraulic generation. Hydro could not complete an equivalent peaker calculation for
19 existing hydraulic assets within the time available to respond to the information requests.
20 The Board of Commissioners of Public Utilities decided in its 1993 Cost of Service Report¹
21 that the method should not be used for classification of existing hydraulic generation.

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23 In the 1992 cost of service methodology hearing, Mr. Larry Brockman², recommended that
24 hydraulic generation classification be based on the equivalent peaker methodology using a
25 26% demand component and a 74% energy component. Response to CA-NLH-008 provides
26 the requested comparison using Mr. Brockman’s recommended equivalent peaker

¹ “A Referral By Newfoundland and Labrador Hydro for The Proposed Cost of Service Methodology and a Proposed Method for Adjusting its Rate Stabilization Plan to Take Into Account the Variation in Hydro’s Rural Revenues Resulting from Variations in the Rates Set by the Board to be Charged by Newfoundland Light & Power Co. Limited to its Customers,” Board of Commissioners of Public Utilities, February 1993.

² Mr. Larry Brockman, Brockman Consulting, Expert for Newfoundland Power.

- 1 allocation percentages for classification of all Hydro's existing supply costs from hydraulic
- 2 generation.