

1 Q. **Reference: May 3, 2019 report by Brattle Group, Inc entitled *Embedded and Marginal***  
2 ***Cost of Service Review***

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4 On Table 1, page 7 (Other) the Brattle Group states “*Maybe classify a portion of CDM as*  
5 *demand for future GRAs*”. Does Hydro agree or disagree with this proposed modification?

6 Please provide justification for your response.

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9 A. Newfoundland and Labrador Hydro (“Hydro”) believes it may become appropriate to reflect  
10 customer capacity requirements in the recovery approach to Conservation and Demand  
11 Management (“CDM”) program costs if a material amount of future CDM program costs  
12 will focus on peak demand reduction. However, the decision on whether a demand  
13 allocation approach is appropriate should consider the materiality of the customer  
14 allocation impact and the administrative practicality of changing from the existing  
15 approach.

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17 Hydro’s CDM program costs are currently excluded from the Cost of Service study and  
18 allocated for recovery from customer classes based on energy. The existing approach is  
19 administratively practical and the energy cost allocation by customer class is generally  
20 consistent with the past CDM program focus on energy conservation.

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22 Hydro filed a marginal cost study update in November 2018, which indicated that material  
23 growth in peak demand requirements on the Island Interconnected System will drive future  
24 investment in capacity additions (i.e., gas turbines). Hydro anticipates a change in CDM  
25 focus towards peak demand management will be reflected in the CDM potential study  
26 currently being prepared for the Island Interconnected System.