

1 Q. Newfoundland and Labrador Hydro Cost of Service Methodology Review  
2 Application, Pre-Filed Testimony of Andrew McLaren, August 5, 2019, Page  
3 19, Lines 10-12.

4 *“In InterGroup’s view, the equivalent peaker method can only be justified if it*  
5 *more accurately reflects cost causation than other methods and can be*  
6 *calculated in a reliable and consistent way.”*

7 Is it InterGroup’s opinion that the system load factor method of classification  
8 more accurately reflects cost causation than the equivalent peaker method? If  
9 so, what is the basis for this opinion?

10 A. Yes.

11 The theory behind the load factor approach is based on the fact that the planning  
12 and operation of an integrated generation system serves a mixture of demand and  
13 energy. The proportions of what is used to serve demand (including  
14 probabilistically derived demand peaks) and what is used to serve energy is the  
15 ratio known as the annual system load factor.

16 The system load factor method is easily calculated and routinely updated, relatively  
17 non-contentious, well established in principle and in fact throughout the industry  
18 for Cost of Service studies, has precedent in this province, and is well supported  
19 in the literature. Utilities with a similar make up to NLH apply the method, including  
20 Manitoba Hydro which, after a recent lengthy and costly Cost of Service  
21 proceeding, adopted the method after many years using an alternative approach.

22 In addition to being practical and reliable, the system load factor approach avoids  
23 many serious difficulties with the inherent assumptions in the equivalent peaker  
24 approach, as discussed in NP-IC-002.

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