

*Requests for Information*

1 NP-CA-008           **Reference: *Comments on Newfoundland Power's 2022 Capital Budget***  
2                           ***Application*, Elenchus Research Associates Inc., August 13, 2021, page**  
3                           **23, Table 1.**  
4  
5 QUESTION:           **The 20 years levelized revenue requirement stated in Table 1 is 3.87¢.**  
6                           **Table 3 on page A-5 of the *1.2 Sandy Brook Plant Penstock Replacement***  
7                           **report shows the benefits of Sandy Brook Plant's production at**  
8                           **between 7.04 and 10.21 ¢ per kWh based on the levelized cost of plant**  
9                           **production over 50 years of 3.22 ¢ per kWh. Would Elenchus agree**  
10                           **that even at a levelized cost of plant production over 20 years of 3.87 ¢**  
11                           **per kWh as shown in Table 1, the net benefit is still significant? If not,**  
12                           **why not?**  
13  
14 RESPONSE:           The assertion contained in the question is valid only if the methodology  
15                           used to derive the benefits of Sandy Brook Plant's production are correct.  
16                           Elenchus notes that given the rate of decline in both the fully allocated and,  
17                           more significantly, the marginal cost of production of renewable power,  
18                           which is widely expected to continue for the foreseeable future, NP's  
19                           projection of the value of Sandy Brook production is uncertain. The costs,  
20                           however, will be committed.  
21  
22                           The point of Table 1 is simply that for any investment in a generation or  
23                           grid asset, if the service life is shorter than expected, the levelized revenue  
24                           requirement over the used and useful life of the asset will increase. Either  
25                           the shareholder or customers will have to bear the resulting stranded cost.  
26  
27                           Furthermore, in determining the benefits of this production a consistent  
28                           assumed service life would have to be used. If the benefits are not realized  
29                           for the full 50 year horizon, then the total value of the benefits, in present  
30                           value and levelized terms over 50 years, will be lower than projected.