

1 Q. Please provide the benefit to cost ratio and all supporting calculations for the 2019
2 Test Year for the capacity assistance agreements between Hydro and Island
3 Industrial Customers. If the capacity assistance agreements were discontinued at
4 year-end 2018, how would it affect rates to Island Industrial Customers and
5 Newfoundland Power in monetary and percentage terms in 2019?
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8 A. Capacity assistance arrangements are used as a means to minimize disruptions to
9 customers in the event of a contingency or to maintain sufficient level of operating
10 reserves for reliable operation of the electrical system. This support is normally
11 requested during times of high or peak customer demand or instances where there
12 are issues with generation or regional transmission during the winter operating
13 season.
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15 Hydro's capacity assistance agreements continue to be beneficial to Hydro's
16 customers. For example, during the period December 2017 to April 2018, Hydro
17 made nine requests for capacity assistance from Corner Brook Pulp and Paper.
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19 Hydro's capacity assistance agreements provide Hydro with relatively low cost
20 capacity (approximately \$28 per kW). By way of contrast, the average embedded
21 cost of Hydro gas turbine generation (excluding fuel cost) is approximately \$134 per
22 kW for the 2019 Test Year.

1 If Hydro's capacity assistance were removed from Hydro's 2019 Test Year revenue
2 requirement, it would reduce the revenue requirements of Newfoundland Power
3 and the Island Industrial Customers by 0.5% and 0.4%, respectively.¹

¹ Hydro's 2019 Test Year includes capacity assistance costs of \$3.1 million. Revenue requirement impacts based upon Hydro's 2019 Test Year Cost of Service study as filed.