

- 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.)”* Is  
11 computing the current value of each generating unit using indexes like Handy-Whitman any  
12 more challenging than the computation that Hydro now carries out for specifically-assigned  
13 O&M costs? Please explain.  
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- 16 A. Completing the current value of each of Newfoundland and Labrador Hydro’s (“Hydro”)   
17 generating units using indexes like Handy-Whitman requires a similar degree of effort as   
18 the computation of indexed transmission assets. However, there are additional steps in   
19 completing the equivalent peaker analysis. Hydro would have to determine an economic   
20 carrying charge in \$/kW for each hydraulic generating facility by applying the economic   
21 carrying charge investment rate to the hydraulic facilities current dollar investment   
22 including appropriate rate base adjustments (i.e., general plant, materials and supplies and   
23 working capital). Hydro would also need to determine appropriate revenue requirement   
24 loaders to determine the total cost per kW for each hydraulic generating facility (such as   
25 insurance, fixed operating and maintenance and administration and general cost) to arrive   
26 at the total carrying charge.