

1 **Q. Reference: Responses to PUB-NLH-102 and IIC-NLH-002**

2 **a)** Reconcile the statement “the likely small share of fuel costs, which limits the cost
3 allocation impacts of moving to demand-related allocation” with the \$65.0 million of
4 Test Year No. 6 fuel cost and with IIC-NLH-022(c), which reports that classifying that fuel
5 on the capacity factor reduces Island Industrial cost responsibility by approximately \$2.4
6 million, or 5.5 percent of that class’s cost of service.

7 **b)** At what impact would Hydro consider the classification as material?

8 **c)** Explain if it is Hydro’s position that consideration of past practice and materiality
9 displace cost causation where the two point in different directions.

10 **d)** Provide the class effect of classifying as demand-related the \$2.23 million fuel cost
11 increment identified at PUB-NLH-102(e) as arising from the 563-kWh-per-barrel
12 conversion factor relative to the 2019 Test Year value of 583 kWh per barrel, and
13 confirm that Hydro attributes that increment to running units at minimum output for
14 reliability purposes.

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17 **A. a)** The statement was made based on the premise that the fuel for the third unit was classified
18 as demand based on its role as a peaking unit for the few days of extreme cold, while fuel
19 for the other two units was classified as energy.

20 **b)** Newfoundland and Labrador Hydro’s (“Hydro”) position is that the Holyrood Thermal
21 Generation Station fuel should continue to be classified as energy. Therefore, any deviation
22 from that position will result in variances. An overall rate increase of 5.5% would be within
23 the acceptable range.

24 **c)** Hydro’s position is to reflect cost causation primarily. When a generator’s function changes
25 materially, a utility could argue for retaining existing methods if the costs aren’t material or

- 1 if the change is itself applicable for a transitional period. Arguably, Holyrood's planned
2 transition fits these criteria.
- 3 **d)** Please refer to PUB-NLH-169, Attachment 1. The increment in the conversion factors is
4 primarily due to running the units at minimum output.

Schedule F Comparison

NEWFOUNDLAND AND LABRADOR HYDRO
2027 Test Year Cost of Service Study

Total System

Comparison of Revenue & Allocated Revenue Requirement

Line No.	Rate Class	1	2	3	4	5	6	7	
			Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue Credits	Deficit	RSP Activity	Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5)	Revenue to Cost Coverage (Col.2/3)
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Total System									
1	Newfoundland Power		-	90,530	-	(4,849)		85,681	-
2	RSP Activity		-	-	-	-		-	-
3	Subtotal Newfoundland Power		-	90,530	-	(4,849)			
4	Island Industrial		-	(85,166)	-	-		(85,166)	-
5	Unallocated RSP Hydraulic Variation		-	-	-	-		-	-
6	Labrador Industrial		-	-	-	-		-	-
7	CFB - Goose Bay Secondary		-	-	-	-		-	-
8	Rural Labrador Interconnected		-	-	-	(515)		(515)	-
Rural Deficit Areas									
9	Island Interconnected		-	-	-	-		-	-
10	Island Isolated		-	(5,364)	-	5,364		-	-
11	Labrador Isolated		-	-	-	-		-	-
12	L'Anse-au-Loup		-	-	-	-		-	-
13	CFB Revenue Credit Applied to Deficit		-	-	-	-		-	-
14	Subtotal		-	(5,364)	-	5,364		-	
15	Total		-	-	-	-		-	-

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Line No.	Rate Class	1	2	3	4	5	6	7	
			Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue Credits	Deficit	RSP Activity	Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5)	Revenue to Cost Coverage (Col.2/3)
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Total System									
1	Newfoundland Power		636,811,717	574,037,014	-	62,778,788	-	636,815,801	
2	RSP Activity		-	-	-	-	-	-	
3	Subtotal Newfoundland Power		636,811,717	574,037,014	-	62,778,788	-	636,815,801	1.11
4	Island Industrial		42,815,529	42,815,548	-	-	-	42,815,548	1.00
5	Unallocated RSP Hydraulic Variation		-	-	-	-	-	-	-
6	Labrador Industrial		9,171,998	9,172,200	-	-	-	9,172,200	1.00
7	CFB - Goose Bay Secondary		-	-	-	-	-	-	-
8	Rural Labrador Interconnected		22,231,036	20,039,020	-	2,191,541	-	22,230,560	1.11
Rural Deficit Areas									
9	Island Interconnected		68,909,058	87,315,429	-	(18,406,371)	-	68,909,058	0.79
10	Island Isolated		1,717,949	10,404,402	-	(8,686,453)	-	1,717,949	0.17
11	Labrador Isolated		11,969,343	44,165,488	-	(32,196,145)	-	11,969,343	0.27
12	L'Anse-au-Loup		4,077,137	9,758,496	-	(5,681,359)	-	4,077,137	0.42
13	CFB Revenue Credit Applied to Deficit		-	-	-	-	-	-	-
14	Subtotal		86,673,487	151,643,815	-	(64,970,328)	-	86,673,487	0.57
15	Total		797,703,766	797,707,596	-	-	-	797,707,596	1.00

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Total System

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Line No.	Rate Class	1	2	3	4	5	6	7	
			Revenues	Cost of Service Before Deficit and Revenue Credit Allocation	Revenue Credits	Deficit	RSP Activity	Revenue Requirement After Deficit and Revenue Credit Allocation (Col.3+4+5)	Revenue to Cost Coverage (Col.2/3)
			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Total System									
1	Newfoundland Power		636,811,717	574,127,544	-	62,773,939	-	636,901,483	
2	RSP Activity		-	-	-	-	-	-	
3	Subtotal Newfoundland Power		636,811,717	574,127,544	-	62,773,939	-	636,901,483	1.11
4	Island Industrial		42,815,529	42,730,381	-	-	-	42,730,381	1.00
5	Unallocated RSP Hydraulic Variation		-	-	-	-	-	-	-
6	Labrador Industrial		9,171,998	9,172,200	-	-	-	9,172,200	1.00
7	CFB - Goose Bay Secondary		-	-	-	-	-	-	-
8	Rural Labrador Interconnected		22,231,036	20,039,020	-	2,191,026	-	22,230,046	1.11
Rural Deficit Areas									
9	Island Interconnected		68,909,058	87,310,065	-	(18,401,007)	-	68,909,058	0.79
10	Island Isolated		1,717,949	10,404,402	-	(8,686,453)	-	1,717,949	0.17
11	Labrador Isolated		11,969,343	44,165,488	-	(32,196,145)	-	11,969,343	0.27
12	L'Anse-au-Loup		4,077,137	9,758,496	-	(5,681,359)	-	4,077,137	0.42
13	CFB Revenue Credit Applied to Deficit		-	-	-	-	-	-	-
14	Subtotal		86,673,487	151,638,451	-	(64,964,964)	-	86,673,487	0.57
15	Total		797,703,766	797,707,596	-	-	-	797,707,596	1.00