

1 Q. **Reference: Response to CA-NLH-135, Tables 1 and 2**

2 a) Explain why the recent 2020-2024 window should be preferred given that it is the least
3 stable of those examined.

4 b) Explain if the dispersion within the selected window has any bearing on the reliability of
5 the resulting credit.

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8 A. a) Newfoundland and Labrador Hydro ("Hydro") recommends the most recent five-year
9 average as a representative window for establishing a generation credit because it provides
10 a sufficient range of historical observations while maintaining a focus on current operating
11 conditions. It also represents a period in which Newfoundland Power Inc. ("Newfoundland
12 Power") was aware of Hydro's analysis of Newfoundland Power's generation credit and
13 resulting intent to recommend a methodology change based on historical data. As Table 1
14 indicates in response to CA-NLH-135 of this proceeding, the Newfoundland Power hydraulic
15 generation credit average over a ten-year historical period (2015–2024) is lower than the
16 five-year historical period. Hydro's intent to recommend a methodology change was not to
17 seek the lowest generation credit average; rather, it was to more accurately reflect historical
18 observations within a recent period of time.

19 b) The degree of dispersion within the selected historical window is a practical consideration
20 when assessing the reliability of the resulting generation credit. While the credit value is
21 typically derived from the average performance observed during the selected period, the
22 variability of the underlying observations provides an indication of the consistency and
23 stability of that performance.

24 Accordingly, measures of dispersion, such as standard deviation, which was calculated in
25 Table 2 in Hydro's response to CA-NLH-135 of this proceeding, can provide useful context
26 regarding the statistical reliability of the resulting credit. However, the significance of the
27 observed dispersion must also be considered in conjunction with the size of the data set, the

1 length of the selected window, and whether the variability is attributable to normal system
2 conditions or to atypical events occurring within the study period.

3 Hydro calculated the dispersion of the underlying annual observations (please refer to Table
4 2 in response to CA-NLH-135 of this proceeding) and determined that the selected five-year
5 window provides a reasonable balance between capturing recent system conditions and
6 maintaining a sufficiently large sample to mitigate the influence of anomalous years. As a
7 result, Hydro considers the resulting generation credit to be reasonably representative of
8 expected future performance. Hydro completes this calculation on an annual basis, and
9 should future performance improve beyond the recommended generation credit, it will be
10 captured accordingly in Hydro's next general rate application.