

1 **Q. In reference to the evidence of Larry Brockman, page 4, lines 12 to 15 - “I have**
2 **reviewed the 2001 Cost of Service Study, including the changes proposed in this**
3 **proceeding, and found the methodology is in conformity with the Board’s findings**
4 **arising out of the 1992 Hydro Generic Cost of Service Proceeding, the Company’s**
5 **1996 General Rate Proceeding and the 2001 Hydro General Rate Proceeding.”**
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7 **In the 2001 Hydro General Rate Proceeding, point 57 of the Board’s decision (page**
8 **171) states “The Board accepts the use of a 1CP allocator for distribution demand**
9 **costs, as approved by the 1993 generic COS methodology.”**
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11 **Is Newfoundland Power’s allocation of distribution demand costs in its cost of**
12 **service study consistent with this statement?**
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14 **A.** Newfoundland Power’s allocation of distribution demand costs in its cost of service study
15 is based on a non-coincident peak (NCP) allocator, and not on a 1CP allocator as
16 accepted by the Board for Hydro in Order No. P.U. 7 (2002-2003). Newfoundland
17 Power’s use of an NCP allocator is consistent with the Board’s findings arising out of the
18 1992 Hydro Generic Cost of Service Proceeding, and the Company’s 1996 General Rate
19 Proceeding, and is not inconsistent with the Board’s acceptance of the use of a 1CP
20 allocator for Hydro. Past testimony of cost of service experts on this issue are
21 summarized below:
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23 In the Board’s review of the allocation of Hydro’s distribution demand costs, as outlined
24 on pages 109 and 110 of its decision in Order No. P.U. 7 (2002-2003), it was noted that
25 witnesses Dr. Wilson and Mr. Bowman had suggested the NCP allocator for distribution
26 capacity “as it is generally thought to be more reasonable for cost allocation”.
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28 Further in that same Order, the Board noted Mr. Brickhill’s statement that:
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30 “Distribution load requirements on the rural isolated systems are not sized based on
31 local loads but rather the anticipated peak, supporting the use of 1CP. On the
32 Labrador Interconnected system the distribution network is sized based on a cold
33 weather peak, also supporting the use of a 1CP”.
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35 Mr. Sarikas, appearing on behalf of Hydro at the 1992 Referral, stated
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37 “I just believe that, for Hydro, I believe this is the appropriate approach. I note that
38 Newfoundland Light and Power uses the NCP method. And if what I assume is
39 true, that feeders serve separate areas, then I have no argument with the choice of
40 that methodology.”
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42 Mr. Brockman, appearing on behalf of Newfoundland Power at the 1992 Generic Cost of
43 Service Proceeding, supported the use of NCP for allocation of distribution capacity cost.
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1 On Hydro's use of 1CP, Mr. Brockman stated on page 27 of his prefiled evidence:
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3 "This treatment of distribution facilities is inconsistent with the discussion on
4 pages 96-98 of the 1992 NARUC Cost Allocation Manual on how these facilities
5 should be allocated. Dr. Sarikas testified that an examination of the geographic
6 distribution of feeder loads and load characteristics led him to believe that the
7 Hydro distribution facilities are more closely related to Hydro Rural Interconnected
8 rate class coincident peaks (CP) than non-coincident peaks (NCP). Dr. Sarikas also
9 acknowledged that his method 'probably isn't a pure Coincident Peak approach'
10 (See Hydro 1992 Referral, transcript page 487). He went on to say that a different
11 geographic dispersion of class loads, which would be more likely in the urban areas
12 served by NP, could dictate an NCP allocator for distribution facilities, and that he
13 had no problem with NP using NCPs to allocate distribution. Therefore, while I
14 fail to see how every rural distribution feeder can be as homogeneous as Dr.
15 Sarikas believes, I have no evidence to the contrary. With all these caveats, I take
16 no issue with Dr. Sarikas' recommendation on Hydro's cost of service approach on
17 this issue."
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19 Mr. George C. Baker, the Board's expert at the 1992 Cost of Service Hearing, stated non-
20 coincident demand "is still widely, and appropriately, used for the allocation of
21 distribution demand costs" (page 7 of prefiled testimony).
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23 Therefore, it appears the 1CP allocator was accepted based on unique characteristics of
24 Hydro's Rural Systems, allowing for the potential use of NCP by Newfoundland Power.
25 As noted in the above references, the NCP allocator is reasonable and consistent with the
26 1992 NARUC Cost Allocation Manual on how distribution demand costs should be
27 allocated.