

1 Q. On page 6, lines 13 to 19 of his Prefiled Testimony, Mr. Henderson indicates  
2 that the Power Purchase Agreements with the Non-Utility Generators have  
3 winter rates for the period November to March and non-winter rates for the  
4 remainder of the year. Schedule IX indicates a non-winter price ratio for the  
5 fixed cost component of about 2.1(*sic*). The variable component of the  
6 purchase price is about 46% of the total purchase price, and is the same in  
7 winter and non-winter months.

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9 a) Does the ratio of 2.1 (*sic*) reflect the relative value of capacity to the  
10 system in the two seasons?

11 b) Does the fixed/variable split represent the difference in actual fixed  
12 and variable costs for a typical hydro generating facility?

13 c) Is there no difference in the value of energy to the system in winter  
14 and non-winter months?

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17 A. a) The ratio of 2:1 reflects the ratio of the actual prices bid by the two  
18 NUGS for the fixed cost component of the price for energy. See IC  
19 208 (4) for a description of the basis for Hydro's 1992 maximum  
20 pricing structure for the fixed component of the NUG energy rate.

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22 b) The fixed/variable split does not represent the difference in actual  
23 fixed and variable costs for a typical hydro facility. For example the  
24 fixed cost for Granite Canal is approximately 93% of the total annual  
25 costs (Please see response to IC 42(Rev) for further details).

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27 c) The value of energy to the Island Interconnected System varies  
28 throughout the year depending on the relative utilization of the

1 system's thermal resources. It is for the most part tied to Holyrood's  
2 variable production cost due to the large storage capability of Hydro's  
3 hydroelectric facilities, which permits Hydro to purchase energy in one  
4 time period and defer hydroelectric production to another time period.  
5 The exception occurs when energy for peaking is required.