

1 Q. Provide, on the same basis as Schedule 4.3, the calculations to indicate the
2 forecast net capacity factor for Holyrood for the year 2004. Explain the
3 factors affecting variances in this capacity factor for the years 1997 through
4 2002. Assuming that the COSS for 2004 assumes No. 6 fuel consumption
5 based on average hydraulic generation availability and forecast loads, why
6 would it not be more appropriate to use the net capacity factor consistent
7 with these assumptions rather than one based on the prior 5-year actual
8 average? In the alternative, given the dramatic differences from 2001
9 forward, why isn't a three year average more appropriate?

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12 A. The forecast net capacity factor for Holyrood for the year 2004 is:

14	Net Production kWh	1,790,150,000
15	Net Capacity MW	466
16	Net Production Hours	8,784
17	Net capacity Factor	43.73%

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19 While thermal generation is required to complement production from Hydro's
20 hydraulic resources in order to meet the overall system load, its output is
21 varied to maintain system security and for water management reasons.
22 Furthermore, 2001 and 2002 were lower hydraulic production years, shifting
23 more production to Holyrood.

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25 The five-year average was discussed in the Board's 1993 report on Hydro's
26 Cost of Service Methodology. Page 37, paragraph one of that report states:
27 "...For Holyrood, an equitable basis for classification would be the
28 annual capacity factor (or plant factor). To minimize temporary

1 fluctuations due to variations in run-off, the capacity factor should be
2 an average taken over several years. The Board believes a five-year
3 moving average would minimize fluctuations without unduly delaying
4 response to changes in system energy requirements.”

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6 The Board concluded that a five-year average would protect Hydro’s
7 customers from large variations in the ratio. A three-year average has not
8 been analyzed by Hydro.