

1 Q. Assuming the cost of any new generation addition required to address
2 forecast load requirements is higher than existing average costs and
3 that a perfect match cannot be achieved between the incremental load
4 increase and generation addition, under what conditions would existing
5 customers not be adversely affected?
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7 A. Customers would not be adversely affected by a generation addition
8 which does not perfectly match incremental load increases and which
9 has costs higher than the average costs on the system to the extent
10 that that the new generation has costs lower than the forecast variable
11 costs it displaces. For example, under Hydro's current 2004 system
12 forecast, the system is forecast to require 1,790 GW.h from Holyrood
13 at a variable cost of 5.13 cents/kW.h per NP-130. If a new resource,
14 such as Island Pond at 203 GW.h a year, could be brought on-line for
15 a revenue requirement lower than \$10.4 million (including
16 depreciation, interest, return and O&M – this is 204 GW.h times 5.13
17 cents/kW.h) then it would result in savings to ratepayers as a result of
18 the generation addition compared to not adding the generation.