

Re: Page 27, line 16 through page 28, line 22

Q. Are C.F. Osler and P. Bowman aware of any method in which Hydro could meet load with capacity (plus reserve) on a kW-by-kW basis, as is implied in their Pre-Filed Testimony? Conversely, are C.F. Osler and P. Bowman suggesting that Hydro include in rates only those sources that are required to just meet the LOLH target of 2.8 hours/year and add/remove resources from rates on a continuing basis?

A. Mr. Osler and Mr. Bowman are not suggesting that rates only reflect those resources of Hydro's required to "just meet the LOLH target of 2.8 hours/year and add/remove resources from rates on a continuing basis".

Mr. Osler and Mr. Bowman's pre-filed testimony sets out the fact that the island has sufficient supply to meet (and exceed) the normal planning minimums that Hydro has adopted (i.e. LOLH of not more than 2.8 hours/year). In this situation, resources such as the GNP generation need to be assessed for the purpose of the cost of service allocations to customer groups. The evidence shows that GNP generation was clearly built to service GNP customers, was maintained at the time of interconnection in order to enhance reliability to GNP customers. Based on the evidence, GNP generation is only normally operated to service GNP customers and is not properly allocated as being of common benefit to all customers on the grid (where there is sufficient capacity to meet all established reliability targets without the GNP generation).

Hydro's evidence at IC-399 indicates that Island Interconnected customers would have *better* reliability today had the GNP interconnection not occurred (0.7 LOLH hours per year versus the current 1.1 LOLH hours per year). Under this situation there is no basis

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1 to charge the non-rural Island Interconnected customers for any part
2 of the GNP assets, let alone the proposed 93.24% of the cost for the
3 GNP generation, when hooking up this generation in the first place
4 reduced the Island Interconnected quality of service. (Hydro proposes
5 to charge the remaining 6.76% to Rural customers, the net effect of
6 an allocation to 'common'.)

Monday, September 22, 2003