

Re: Page 17, Table 5.2

Q. Please provide the rationale for using the variable O&M rate of 0.45 cents/kWh to calculate 2004 OM&A savings, given the explanation of that number as stated in the response to IC-374 NLH.

A. The 0.45 cents/kW.h number is the only value cited by Hydro as a variable O&M number for Holyrood. The response to IC-374 NLH does not appear to indicate any capital related portion of this figure (i.e., it is all O&M). IC-374 does indicate that some of these costs arise on a longer-term basis, but this would not appear to apply to the majority of the types of items noted (system equipment maintenance and fuel additives, both of which are primarily shorter-term items).

It is also noted that the IC non-firm rate includes 10% of the fuel cost as "administrative and variable O&M" (which in this case would equal 0.468 cents/kW.h – almost exactly the 0.45 cents/kW.h noted above) as the variable short-term cost proposed to be charged to IC when they use incremental non-firm power.

Based on the above, 0.45 cents/kW.h was viewed as the most reasonable figure available to use for determining the savings at Holyrood arising from reduced generation.