

1       Q.     What generation assets on the Island Interconnected System does Mr.  
2             C.F. Osler and Mr. Bowman believe are "neither used nor useful to  
3             service the Island Interconnected System" (page 2 of pre-filed  
4             testimony of C.F. Osler and P. Bowman) and why?

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6       A.     The full reference indicates "standards applied by Hydro in assessing  
7             other radial transmission system assets (including thermal generation  
8             assets) result in improper allocation of costs to the IC group reflecting  
9             costs of generation and transmission assets that are proposed to be  
10            assigned as being of common benefit, despite these assets being  
11            neither used nor useful to service the Island Interconnected system".

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13            The transmission and generation assets that Mr. Osler and Mr.  
14            Bowman conclude are neither used nor useful to service Island  
15            Interconnected customers are:

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17            -   **the GNP transmission and generation:** Hydro has agreed that  
18                GNP transmission is not of benefit to Island Interconnected  
19                customers, but proposes to assign the costs of generation as being  
20                of common benefit.

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22            -   **the Burin Peninsula Transmission** (outside of perhaps TL212):  
23                Hydro has in the past highlighted that the two Burin peninsula  
24                transmission lines should receive the same treatment as the GNP  
25                transmission (which is now specifically assigned to those customers  
26                it serves). However, in this proceeding, Hydro primarily argues in  
27                JRH-3 (pages 21-22) that because there are both NP load (99.5%  
28                of the load) and Rural loads (0.5% of the load) on the system, it  
29                should be assigned common. Hydro also notes that there is 26.7  
30                MW of NP peaking generation and 8 MW at Hydro's Paradise River  
31                plant on the Burin system. Mr. Osler and Mr. Bowman's pre-filed  
32                testimony notes that a portion of TL212 (the much less costly

1 transmission line) is required to interconnect Paradise River. Other  
2 than this asset, the Burin peninsula transmission is no different that  
3 the GNP transmission, which is specifically assigned to the  
4 customer group it serves (i.e., the line is a long radial that  
5 interconnects less peaking generation than required to service the  
6 local Burin Peninsula peak).

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8 These assets may be properly in ratebase and the costs recovered  
9 through rates due to the service and benefits they provide to specific  
10 Rural customers or specific NP loads, but they are clearly not required  
11 nor useful for servicing the Island Interconnected system, and should  
12 not be charged to IC given the legislative limitation on industrial  
13 customer rates from financing the rural subsidy.