

1   Q.   How does Hydro balance the issues of cost and reliability in the area of  
2       generation capacity planning on isolated systems?

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5   A.   Hydro balances the issues of cost and reliability in the area of generation  
6       capacity planning on its isolated systems through application of the  
7       generation reliability criterion. Hydro's generation reliability criterion for the  
8       Isolated Rural Systems is stated as follows:

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10               Hydro shall maintain firm generation capacity to meet the system peak  
11               load. Firm generation capacity is defined as the total installed  
12               capacity on the system minus the largest single unit.

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14       This provides sufficient generation capacity to meet forecast customer load  
15       requirements in the event of planned or forced generation outages. In  
16       maintaining this criterion, Hydro examines all available options to identify the  
17       least cost alternative.

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19       This criterion has been in place for over 30 years and is similar to the  
20       criterion used by other Canadian utilities that operate isolated diesel  
21       systems.