

1 Q. How does Hydro balance the issues of cost and reliability in their
2 transmission and distribution design criteria?

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5 A. At both the transmission and distribution levels, Hydro designs its lines to
6 provide a level of reliability consistent with industry standards in a least cost
7 manner. The design process involves the optimization of electrical
8 parameters (i.e. voltage, conductor size, etc) required to serve the
9 anticipated load, and physical parameters (i.e. structure type, insulator
10 strength, etc) required to withstand environmental influences such as wind,
11 ice and salt contamination to come up with the overall least cost acceptable
12 design.

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14 Where the application of these technical requirements result in a capital
15 budget proposal, unless there are exceptional requirements e.g. new power
16 source or major reliability initiative, Hydro employs a guideline to its capital
17 program that it should not normally exceed cash flow from operations. This
18 serves to limit revenue requirements and any rate increase.