

1 Q. Provide estimates of the impact on the Isolated Rural Deficit for 2002 and
2 forecast for 2003 and 2004 of providing increased installed capacity to the
3 isolated systems of Charlottetown and Little Bay Islands (Transmission and
4 Rural Operations evidence, Schedule IV).

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7 A. The following table presents costs for depreciation and financing only of the
8 increased capacity for Charlottetown and Little Bay Islands.

	Depreciation	Financing
Little Bay Islands		
2002	2,900	3,684
2003	2,900	3,651
2004	2,900	3,551
Charlottetown		
2002	72,430	98,865
2003	72,430	98,361
2004	72,430	96,069

9 With regard to the deficit impact, Hydro has assumed the following:

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11 (1) Overall incremental operating and maintenance costs associated with
12 the addition of these diesel units are difficult to quantify. For the
13 forecast years, there are no extraordinary items included in the budget
14 related to the additional capacity in these two locations. There has
15 been no increase in budget allocations in these locations for
16 preventative and routine maintenance.

- 1 (2) Any reallocation of existing costs through the cost of service is small
2 and has not been identified; and
3
4 (3) Changes to the deficit associated with increased sales due to an
5 increase in general economic activity cannot be identified.