Q. Please list any difference in the basis of functional classification between the 5 systems. For each of these differences, please provide the justification.

A. Gas turbine and diesel generation receive different treatment among the five systems, depending upon whether or not they are operated as base load generation. On the Island Interconnected system, gas turbine generation provides peaking capacity and, as such, is classified 100% to demand. Gas turbine fuel costs are also classified 100% to demand. Typically, diesel generation would receive similar treatment; however, Island Interconnected diesel generation, and the associated fuel costs, have been assigned to Rural rate classes only, in accordance with the Board's Order No. P.U.7 (2002-2003).

On the Island Isolated and Labrador Isolated systems, diesel generation provides both peak and energy service. As such, the related costs have been classified to demand and energy based on the load factor of each system group, similar to Island Interconnected base load hydraulic generation. Fuel has been classified 100% to energy, similar to the treatment of Holyrood (base load) fuel on the Island Interconnected system.

The diesel generation for the L'Anse au Loup system is considered the firm supply source for this system. However, it currently provides a backup function, due to the forecast availability of secondary energy from Hydro-Quebec. Accordingly, this generation has been classified 100% to demand, with the associated fuel classified 100% to energy, providing some balance between demand and energy, without relying on system load factor.

On the Labrador Interconnected system, gas turbine and diesel generation provided peaking capacity and, as such, are classified 100% to demand. Gas turbine and diesel costs are also classified 100% to demand.