

1 Q. Why, if Hydro is forecasting lower in-flows in 2003, would not the higher
2 conversion factor actually achieved in 2002 be appropriate for the 2003-4
3 period? **(JRH p. 13, line 6)**
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6 A. Hydro was not forecasting lower inflows in 2003, but was forecasting
7 hydraulic production lower than average because of the low storage position
8 in the fall of 2002. A reduction in hydraulic production was forecast to enable
9 the reservoir storage levels to build to the minimum storage target levels with
10 average inflows.
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12 The conversion factor used for Holyrood is based on the historic average
13 performance. The average reflects the many unpredictable factors that can
14 impact its value. Hydraulic production is the most significant factor affecting
15 the conversion factor and during low hydraulic production periods the
16 Holyrood conversion factor is generally higher. However, because of the
17 variability of hydraulic production, Hydro normally assumes a constant
18 conversion factor for forecasting fuel requirements and expenses.
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20 If a different conversion factor were to be used, the appropriate period to use
21 would be for the short term forecast (2-3 months). It is during this short
22 period that the current reservoir storage position has the greatest influence
23 on the forecast hydraulic production. Beyond the short term, in order to
24 account for the many variables, only an average is appropriate. Therefore,
25 when preparing an estimate for the 2004 COS the average conversion factor
26 was used. As forecasted improvements are demonstrated and sustained,
27 the average will be adjusted to the most appropriate level which is currently
28 624 kWh/bbl.