

1 Q. **Re: p. B-13** Explain how the rate payers get the benefit of emissions credits
2 factored into the net present value analysis for the Snook's Arm Penstock
3 Replacement Project.

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6 A. Although the base case analysis demonstrated that the project was cost
7 effective even without consideration of any emissions related costs, these
8 costs were included in the analysis only as a sensitivity case to quantify the
9 potential economic impact of emission controls legislation that may be
10 imposed by Government. The value of this environmental externality arises
11 because of a direct offset of energy production from the Holyrood Thermal
12 plant by production from the Snook's Arm hydroelectric development. While
13 it is impossible to predict the exact nature of future emission controls
14 programs and the resulting value of projects that impact on emissions
15 reductions, for the sensitivity case, this reduction in emissions from Holyrood
16 is assumed to hold economic value to Hydro and hence its customers.