

1 Q. Please confirm that NERA's June 28, 2006 memo (attached to the July 26,
2 2006 filing) indicates a 50% change in fuel price would result in a nearly
3 2500% change in NERA's estimated marginal value of capacity (\$158.89/kW
4 compared to \$6.41/kW).

5

6

7 A. NERA's June 28, 2006 memo (attached to the July 26, 2006 filing) states the
8 following regarding a 50% change in fuel price:

9 "The combination of the new expansion plan and lower fuel costs has several
10 effects on the marginal cost of generation capacity. First, the energy savings
11 provided by the remaining hydro unit in the plan (Island Pond) are reduced
12 because of lower fuel prices, so the net annual cost of the new hydro
13 capacity, including losses, is higher in the Test 1 case compared to the base
14 case (\$158.89 per kW compared to \$6.41 per kW)." The \$158.89 per kW is
15 approximately 2500% higher than the base case result of \$6.41 per kW.