

1 Q. Please confirm that NERA's May 2006 report at Table 5A indicates that
2 Island Pond hydraulic generating station can be brought into service at a cost
3 less than the benefits of Holyrood fuel it will displace, so the capacity that this
4 plant brings to the system is, in effect, free. If so, please indicate whether
5 NERA recommends bringing this plant into service as quickly as possible
6 rather than waiting until 2015. If not, why not.

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9 A. NERA has provided the following response to this Request For Information:

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11 Based on the fuel and other forecasts provided by Hydro, our computations
12 show that it would be cost-effective to bring Island Pond into service earlier
13 than 2015. However, our assignment was not to review Hydro's generation
14 expansion plan, and we are economists, not system planners. No doubt
15 there are other factors (such as forecast uncertainty, capital constraints, and
16 the option value of deferral) that affect the system expansion plan.