

1 **Q. With reference to lines 7 through 17 on page 22 of the Pre-Filed Evidence of C.**  
2 **Douglas Bowman (August 5, 2019), can Mr. Bowman provide references to other**  
3 **utilities who use similar indexing approaches in calculations for the equivalent peaker**  
4 **method?**

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6 **A.** Mr. Bowman based his recommendations on the evidence filed and his experience. He did  
7 not survey utilities about their approaches to indexation but notes that the utilities surveyed  
8 in the Application do not appear to use indexing approaches in equivalent peaker  
9 calculations. As Mr. Bowman states on page 22 of his evidence (lines 7 to 17) *“the Board*  
10 *has recently approved use of index valuation for specifically-assigned O&M costs which*  
11 *represent a much smaller portion of the asset base than “other hydro” and “purchases*  
12 *other than wind”.* *The equivalent peaker approach is grounded in system planning so the*  
13 *extra effort required to make the determination is fully justified on the basis of fairness,*  
14 *similar to the justification for changing to an index valuation of specifically-assigned*  
15 *O&M. CA Energy Consulting states (PUB-NLH-037, page 5) “Despite greater complexity,*  
16 *the Equivalent Peaker approach arguably has an advantage from the perspective of*  
17 *economic theory.” In my opinion the additional complexity of the calculation is more than*  
18 *justified by the cost causation and fairness advantages of the equivalent peaker approach.”*  
19 Use of indexation has regulatory precedent in the Province so could be used in the  
20 equivalent peaker approach for classifying “other hydro” and “purchases other than wind”.  
21 Alternatively, the Board could order Hydro to use a marginal cost-based approach to cost  
22 of service, or simply apply the 20%/80% demand/energy classification calculated by Hydro  
23 for the Muskrat Falls project.