

1 Q. **On page 16 of its report, CA Energy Consulting** states that *“The levelized annual revenue*  
2 *requirement for Muskrat Falls generation and its associated transmission investments of LIL*  
3 *and LTA is approximately \$1,249 per kW, while the estimated levelized annual cost for a*  
4 *new CT is \$248 per kW, stated in CDN\$. The demand share of Muskrat Falls would be*  
5 *\$248/\$1,249, or about 20%. The energy share would be the residual 80%, which is slightly*  
6 *below the 85% historical share of Holyrood’s revenue requirement that is classified as*  
7 *energy-related. Based on this estimate, it may be that the final shares developed by the*  
8 *equivalent peaker approach will better account for the main reason underlying the resource*  
9 *choice favoring Muskrat Falls—very large fuel costs savings over future decades.”*

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11 **On page 29 of its report, CA Energy Consulting** states that *“In the absence of marginal*  
12 *cost-based cost allocation, Hydro would use the results of its ELCC study to classify wind*  
13 *generation as 22% capacity-driven. Industry practice supports the use of such a value.*  
14 *Assuming that the system planners would factor wind power into its capacity planning, such*  
15 *a percentage seems sensible.”*

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17 Further to the above-cited statements from its report, CA Energy Consulting is asked to  
18 explain how, if wind as a non-dispatchable resource is being classified as 22% demand, a  
19 20% allocation to demand makes sense for the Muskrat Falls Project investment, given that  
20 Muskrat Falls is a dispatchable and routinely loaded plant that is highly likely to be  
21 contributing material capacity at all peak hours.

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24 A. This response has been provided by Christensen Associates Energy Consulting.

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26 Because wind is not dispatchable, it is classified under a different methodology than  
27 dispatchable generation. If an allocation methodology for wind permits a role for capacity,  
28 then it is bound to appear to conflict with any methodology that views certain generation  
29 as base load, since base load is thought to be primarily energy-related. Hydro’s system of

- 1 classifying generation units individually reveals this problem explicitly, but it is implicit in
- 2 aggregate energy-weighted generation classification methods as well.