

1 **Q:** Page 9 of the Brattle Group report recommends that *“LIS and IIS diesel and*  
2 *gas turbine units be classified as demand with variable fuel costs as energy”*.

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4 **Hydro, in its 2017 GRA, at page 3.25, stated that “there are peaking**  
5 *requirements assumed for the Island Interconnected System gas turbines in order*  
6 *to maintain minimum generation reserve requirements. The requirements for the*  
7 *gas turbines are determined in consideration of thermal and hydraulic forced*  
8 *outage rates, and in consideration of the peak load forecast and Hydro's typical*  
9 *load duration curve.” and that “The Island Interconnected System gas turbines*  
10 *and diesel production also assumes that each plant is exercised at rated output*  
11 *for one hour per month during the non-winter period for testing and for ensuring*  
12 *availability.”*

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14 **Based on the above, in the cost of service study Hydro classifies fuel costs for**  
15 **diesel and gas turbine units as demand. However, in addition Hydro maintains**  
16 **the Energy Supply Cost Variance Deferral Account which captures variances**  
17 **in the price and volume of Hydro's own diesel and gas turbine generation, and**  
18 **these variances are allocated to customer classes based on energy ratios.**

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20 **Considering all of the above, does Brattle Group agree that the continuation**  
21 **of the existing practice is more appropriate than the reclassification of fuel**  
22 **costs for diesel and gas turbine units as energy?**

23  
24 **A.** No, based on the information in the questions, we do not agree that the continuation  
25 of the existing practice is more appropriate.