

1 Q. Newfoundland and Labrador Hydro Cost of Service Methodology Review
2 Application, Pre-Filed Testimony of Andrew McLaren, August 5, 2019, Page
3 19, Lines 10-12.

4 *“In InterGroup’s view, the equivalent peaker method can only be justified if it*
5 *more accurately reflects cost causation than other methods and can be*
6 *calculated in a reliable and consistent way.”*

7 Does InterGroup agree that the cost of the Muskrat Falls Project will be known
8 upon its completion, and that the cost of an equivalent peaker can be
9 reasonably estimated based on a range of estimates that can be considered
10 by the Board? If not, why not?

11 A. The cost of the Muskrat Falls project will be known upon completion, but what will
12 not be known is the cost of the project had it been constructed and managed
13 prudently. It is not clear when, or if, that assessment will ever be made. The effect
14 of an equivalent peaker approach is that all costs for imprudence will be forced into
15 the energy component of the Cost of Service study, which is not a reasonable
16 outcome.

17 In addition, the cost of an equivalent peaker can be estimated at this point in time,
18 but projects do not always ultimately cost the same as the level at which they were
19 originally estimated.

20 Finally, the cost of an equivalent peaker into the future will become a harder and
21 more theoretical benchmark. The Cost of Service methodology should not be
22 based on an approach that becomes stale or the quality undermined as soon as
23 time begins to pass from the original construction date. A system load factor
24 approach will be continually up to date and reliable, unlike the cost of an equivalent
25 peaker benchmark.

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