

1 Q. (Re: Pre-filed Testimony of P. Bowman and H. Najmidinov, page 51, lines 27 to
2 31). With respect to the CBPP frequency converter, it is stated "regardless as to
3 use, the asset reflects a necessary legacy component of the existing system,
4 which would not have been able to deliver power cost benefits to all of today's
5 ratepayers without the Frequency Converter having been an integral part of the
6 investment". In the Board's Order on the 2001 GRA (Order No. P.U. 7 (2002-
7 2003), page 114), the Board states "The Board agrees with NLH that the
8 frequency converters should be specifically assigned to the industrial customers
9 as they are of benefit to only those customers. The suggestion that a previous
10 assignment of plant would not be able to be changed if the circumstances for the
11 original assignment changed is neither acceptable nor reasonable". Please
12 reconcile these statements indicating where the Board erred in its decision.

13 A. Since the Board's Order on the 2001 GRA the circumstances related to
14 Frequency Converter have changed, including the cost to CBPP (at a time when
15 the cost was specifically assigned there was limited impact from this decision of
16 about 0.4% rate impact on CBPP), while the impact today is materially different
17 (16% rate impact on CBPP in 2013; potentially higher in future years).

18 It is clear that the asset is used by CBPP for managing its power resources, but it
19 is also used by all other Island Interconnected customers both during normal
20 situations when the CBPP generation provides stability and grid support, as well
21 as during emergencies when the CBPP generation can be used to maintain
22 reliable service to all ratepayers. The best recent example was during the
23 January power outages this year, when it is understood from discussions with
24 staff at CBPP and Hydro that Hydro adjusted the maximum operating parameters
25 to 22.5 MW in order to maximize the generation made available to all customers
26 to aid in continuity of service.

27 It is important to note that it is not the use of the converter that is the entire basis
28 for the underlying recommended plant assignment, but also the basis on which
29 the converters were acquired by NLH and their role in the development of the
30 system. These situations help underline that it is not just CBPP who is benefitting
31 from the capacity delivered through the converter, but all customers who today
32 have access to a unified and lower cost grid.