

1    Q.    **Cost of Service**

2            (Re: Amended GRA) Section 4.3.4 (page 4.17) addresses capacity assistance  
3            agreements. Now that these agreements are in place, does Hydro still believe it  
4            appropriate to treat these costs as production demand costs in the cost of service?  
5            Please provide justification.

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8    A.    Hydro believes it appropriate to classify the cost of capacity agreements as 100%  
9            production demand related. Capacity assistance is only requested when Hydro is  
10           already using its combustion turbines to meet customers load requirements. Costs  
11           on the Island Interconnected System attributed to the use of combustion turbines  
12           (including fuel costs) are classified as 100% demand related. Therefore, Hydro  
13           considers it appropriate to apply a comparable Cost of Service treatment for the  
14           capacity assistance agreements.