Q. [Pre-filed Testimony of Patrick Bowman and Hamid Najmidinov, InterGroup Consultants Ltd., April 28, 2014 ("InterGroup Consultants Testimony"), page 4, paragraph 1.6 and Section 5.5].

InterGroup Consultants argues that a portion of the Holyrood fuel should be classified as demand related, since it is increasingly used by Hydro due to transmission and reliability issues. Can InterGroup Consultants provide any examples from other regulatory jurisdictions where fuel is classified as a demand related cost and an explanation of why it is classified that way?

A. No.

InterGroup did not base the recommendation on precedent from other jurisdictions, but rather on first principles of Cost of Service allocation governing how costs should be classified so as to follow the underlying drivers of the cost. The best example of such an approach to classification, which similarly results in fuel being classified to demand, is the fuel for NLH's Gas Turbines within the Island Interconnected system, which is classified to production demand.

The main concern for InterGroup was that an increasing quantity of Holyrood generation is no longer a cost that is perfectly aligned with an "energy" rationale. Energy related costs typically are driven by the use of energy by a customer, regardless as to the time of year when that customer uses the energy. Similarly, InterGroup recognizes that this Holyrood fuel cost is not perfectly aligned with a "demand" rationale either, as demand costs typically are driven by increasing use at the single highest peak time of the year (1CP). The proposal was intended as a simplified approach to balancing the impact across both demand and energy, given that costs for the shoulder seasons do not perfectly align with either, and a desire to avoid the need for the complexity associated with new classification concepts beyond these two standard classifications.