

1 Q. Please confirm that the use of a five-year historical period in Hydro's cost of service
2 study methodology arose out of the 1992 Generic Cost of Service Hearing and the
3 recommendations contained in the Board's report to the Minister of Mines and
4 Energy dated February 1993. (Volume II, Addendum to Exhibit 9, Section 2.3, page
5 2)

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8 A. It is so confirmed. The Board notes in the February 1993 report to the Minister of
9 Mines and Energy the following with regard to the calculation of the Holyrood
10 capacity factor:

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12 Because Holyrood is the marginal energy producer and operates at a
13 relatively low annual capacity factor, the load factor split would be
14 inappropriate for the plant and should be restricted to the hydraulic plants.
15 For Holyrood, an equitable basis for classification would be the annual
16 capacity factor (or plant factor). To minimize temporary fluctuations due to
17 variations in run-off, the capacity factor should be an average taken over
18 several years. The Board believes a five-year moving average would
19 minimize fluctuations without unduly delaying response to changes in
20 system energy requirements.