

1 Q. Please outline the basis for the payment of .20/kW per hour.

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4 A. The variable payment reflects the risk assumed by CBPP for each shut down as well
5 as the implications associated with reductions or breaks in operations as a result of
6 providing capacity assistance. These payments provide Hydro with coincidental fuel
7 savings as Hydro will be requesting that capacity assistance be implemented prior
8 to starting its last operational combustion turbine. Therefore, Hydro will be
9 avoiding fuel costs which would otherwise be incurred by running its combustion
10 turbine. The \$0.20/kW per hour reflects approximately one-half of the cost per kWh
11 of Hydro operating its highest cost standby unit.