

1 MR. HAYHES:
 2 availability.
 3 Q. Right. So -
 4 A. It's not just a name plate rating. It's the
 5 whole.
 6 Q. No, I understand that, but just at a matter of
 7 principle level, without getting into the
 8 numbers, the fact of adding Granite Canal
 9 would mean that your percentage of reserve
 10 would go down if your LOLH stayed the same,
 11 correct?
 12 A. The actual reserve would actually go up. We
 13 would have more reserve because we added
 14 Granite Canal.
 15 Q. You would have more reserve, but your
 16 requirement, your reserve requirement goes
 17 down as you add capacity, doesn't it, as a
 18 percentage of your total capacity?
 19 A. The reserve requirement doesn't change that
 20 much as you add in the short term, it's
 21 basically, I mean, our requirement is 16
 22 percent and by adding the Granite and the
 23 NUGS, we're basically right now at
 24 approximately--just a little less than 20
 25 percent reserve. And typically systems are,

1 you know, 15 to 25, even 30 percent reserve,
 2 depending on their situation.
 3 Q. I understand that, but if you're targeting at
 4 2.8 LOLH, and nothing else changes other than
 5 the addition of a couple of hundred megawatts
 6 of capacity, what does that do to the
 7 percentage reserve that is implied by 2.8?
 8 A. The 2.8 percent reserve is--I'm sorry, 2.8
 9 percent LOLH equates to about 16 percent
 10 reserve. In 2004, with our load forecast and
 11 the generation that's available, our reserve
 12 is actually just a little under 20 percent.
 13 So as you build generation, you will increase
 14 the reserve and then you will come down over
 15 time and then you'll presumably build new
 16 generation and you go up, you get sort of a
 17 saw-tooth thing sort of thing as you build the
 18 system.
 19 Q. I don't think I'm getting an answer to the
 20 specific question in the sense of, as a matter
 21 of principle, if you maintain a 2.8 LOLH and
 22 nothing else changes, except that you add
 23 capacity to your system, does the required
 24 reserve percentage go up or down?
 25 A. The required doesn't change, but what you

1 actually would have would be actually a lower
 2 number. The required reserve doesn't change,
 3 you know, it's 16 percent. I don't under -
 4 Q. Well if you have a thousand megawatts and at
 5 2.8 LOLH, your reserve is 16 percent; hence,
 6 your reserve is 160 megawatts, correct?
 7 A. Presumably, yes.
 8 Q. Yes, okay. So if you then up that to 2000, if
 9 you reserve your--if your change your capacity
 10 to 2000, has your reserve requirement now gone
 11 up to 320 megawatts?
 12 A. Only if your peak forecast load changed. If
 13 your peak forecast load goes up, then your
 14 reserve requirement would go up, you know, all
 15 else being equal.
 16 Q. Yes, but if nothing else changes, if your
 17 requirements stay the same and nothing changes
 18 other than that you add capacity?
 19 A. Then we would have overbuilt, the criteria was
 20 still 16 percent.
 21 Q. The criteria is 16 percent or is it 2.2--2.8
 22 LOLH?
 23 A. No, well the criteria is 2.2, it equates to 16
 24 percent. It equates to 16 percent reserve and
 25 that's the way the numbers come out. I don't

1 think I clearly understand your question.
 2 Q. Okay, just as a matter of mathematics, it
 3 seems to me that if a reserve of 160 megawatts
 4 is sufficient where you have 1000 megawatt
 5 capacity, and nothing else changes, your
 6 reserve, 160 megawatts, should be the same if
 7 you add 1000 megawatts of capacity and hence,
 8 you're still at 2.8 LOLH, but your percentage
 9 is now down to 8 percent? Can you explain to
 10 me what's wrong with that?
 11 A. I think we're not on the same wavelength at
 12 all, I apologize. But when we plan a system,
 13 we plan for our loss of load hours of 2. 8
 14 hours. Obviously as you build generation that
 15 you will have some impact on the actual LOLH
 16 that you would calculate for that situation.
 17 If were today and let's assume this was 2004
 18 and if you go to Table 8, we have a loss of
 19 load hours of 1.1 hours. If we were to, for
 20 whatever reason, put in a new plant, even
 21 though the load did not change, there was no
 22 reason to do it, that calculation would
 23 decrease, you know, and the amount of
 24 reduction would be dependant upon the type of
 25 plant that you build, its forced outage rate,