

1 Q. (April 10, 2014 report entitled Supply and Install 100 MW (Nominal) of Combustion  
2 Turbine Generation)

3 At p. 9 Hydro states that it *"estimates the combustion turbine may cause an*  
4 *approximate 2.3 per cent increase above existing rates."*

5 Please provide the calculations that were used to arrive at this estimate, stating all  
6 assumptions and inputs.

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9 A. The quoted 2.3 per cent increase above existing rates is at the wholesale level, the  
10 impact at the retail level is estimated to be 1.6 per cent. The inputs and calculations  
11 that were used to arrive at this estimate are summarized below.

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#### Rate Impact Combustion Turbine

<u>Line</u>	<u>Inputs</u>	
1	Combustion Turbine Capital Cost	118,871
2	Depreciable Life	35
3	Test Year WACC <sup>1</sup>	7.83%
4	Pass Through % <sup>2</sup>	67%
5	Island Interconnect Revenue Requirement (before CT)	579,000
6		
7	<b><u>Revenue Requirement</u> <sup>3</sup></b>	
8	Depreciation	3,396 Line 1/Line 2
9	Return	9,173 (Line 1 + Line 1 - Line 8)/2*Line 3
10	Operating Cost <sup>4</sup>	<u>1,000</u>
11		13,570
12		
13	Wholesale Rate Impact	2.3% Line 11/ Line 5
14		
15	Retail Rate Impact	1.6% Line 13 * Line 4

<sup>1</sup> Return on rate base at test year WACC, impact of any incremental borrowing requirements not incorporated.

<sup>2</sup> Estimated pass through to retail level.

<sup>3</sup> Fuel savings anticipated from the avoided operation of Holyrood units at low inefficient loads offset fuel expense for new unit.

<sup>4</sup> Estimate included in rate projection.