

1 Q. With respect to the Holyrood capacity factor for COS purposes (as per the Summary
2 Report, page 9), please confirm that the use of the 5 year average was originally
3 adopted to ensure “temporary fluctuations due to variations in run-off” did not
4 distort the COS model (per the 1993 PUB Report on Cost of Service Methodology,
5 page 37). Please confirm that for the purposes of the 2018 and 2019 COS models
6 used in this GRA, no such distortion is present (i.e. average water conditions are
7 used), and that, as a result, the use of the 5 year average (as opposed to the best
8 test year forecast) is not required. For the benefit of the record, please reproduce in
9 Hydro’s response the paragraph from the top of page 37 of the 1993 PUB COS
10 Methodology report.

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13 A. Hydro did not find the referenced quote on page 37 of the Board’s COS
14 Methodology report. However, Hydro found the following quotes on page 53 to 55
15 of the Board’s 1993 methodology report.

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17 From page 53:

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

1 From page 54:

2 *If the above methods of classification were adopted, the resulting*
3 *classifications would respond to changes in customer use of the*
4 *system. A decreasing load factor would shift more classified cost to*
5 *demand, and vice versa. Increasing energy requirements would*
6 *result in more of Holyrood's costs being charged to energy use."*

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8 *"The Board is of the opinion that classification of generation by*
9 *these methods would remain appropriate in the face of changing*
10 *conditions and provide an accurate basis for rate design. Having*
11 *considered all the proposed alternatives, the Board is of the opinion*
12 *that this method is preferable and will result in an allocation of fixed*
13 *cost which is just and fair for all rate classes.*

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15 From page 55:

16 *Recommendation 10:*
17 *That a proportion of Holyrood generating station plant costs equal*
18 *to the average of the plant capacity factor in the preceding five*
19 *years be classified as energy-related and the balance be classified as*
20 *demand-related.*

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22 Based on the previous quotes, the Board's focus was not solely to deal with
23 *"temporary fluctuations due to variations in run-off"* but was to provide a method
24 for which *"the resulting classifications would respond to changes in customer use of*
25 *the system"* and *"would remain appropriate in the face of changing conditions."*
26 Therefore, Hydro cannot confirm the statement presented in the question. The
27 Holyrood capacity factor reflected in Hydro's GRA filing (i.e., Deferral Account

- 1 Proposal) is consistent with Recommendation 10 of the Board's 1993 methodology
- 2 report.