

1 Q. Re: Patrick Bowman and Patricia Lee Evidence, Section 4.0 Cost of Service, Page  
2 32 et. seq.

3 Hydro is proposing that customers of Newfoundland Power pay rates in 2018  
4 and 2019 based upon assumed production at Holyrood without reduction for  
5 the forecast lower cost of off-island purchases. Please explain in detail Mr.  
6 Bowman's and Ms. Lee's views on the appropriateness of changing energy  
7 allocation in respect of Holyrood in light of Hydro's proposal.

8 A. This response is provided by Mr. P.Bowman.

9 Hydro has proposed to establish a revenue requirement on the basis of a  
10 hypothetical island isolated scenario throughout the test years, rather than the  
11 anticipated island interconnected scenario for much of the test year periods. Mr.  
12 Bowman has accepted Hydro's approach for the purposes of analyzing the  
13 revenue requirement. It is important to note that Mr. P.Bowman has not fully  
14 assessed, nor indicated a view, on the appropriateness of this approach given  
15 many relevant details for which Mr. Bowman cannot opine, such as a legal  
16 interpretation of the legislation for using this approach.

17 Mr. P.Bowman views that the normal regulatory practice is to reflect the best  
18 estimates of what will occur in the test years. However, Hydro has cited that the  
19 island-isolated approach will yield benefits in terms of systemwide rate stability  
20 pending the in-service of Muskrat Falls. Any such benefit arises from applying  
21 Hydro's approach to the revenue requirement. As a result, Mr. P.Bowman's  
22 acceptance of Hydro's approach for the purposes of analyzing the GRA applies to  
23 the revenue requirement.

24 In Mr. P.Bowman's view, there is no apparent benefit to ignoring the test year facts  
25 as they relate to the Cost of Service input data related to such matters as the role  
26 of Holyrood capital assets. It would appear relevant to base the input data on the  
27 role that the Holyrood assets are actually expected to play. Note that this still  
28 leaves Holyrood fuel classified as 100% energy.