

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

3 Please describe in detail how the reclassification of energy allocations for
4 Holyrood and wind generation will ensure the reasonable allocation of all
5 production costs for the Island Interconnected System in 2018 and 2019.

6 A. Mr. P.Bowman does not propose changes to allocation of production costs in the
7 Cost of Service study. There is no reason to expect that allocating capacity costs
8 on a CP basis, and energy costs allocated to annual undifferentiated energy use,
9 would be inappropriate for the test years.

10 In respect of classification, the “reclassification” in question relates to the
11 demand:energy components of wind and Holyrood capital costs (not Holyrood
12 fuel). There is no reason to believe that added off-island imports will change the
13 output of wind (which is a “take it or leave it” type of generation, tied to the wind
14 regime). There is a reason to expect that off-island imports will change the way the
15 Holyrood capital asset is used, and as a result the Holyrood plant should be
16 classified to demand:energy appropriately.

17 Note that Holyrood fuel (including hypothetical fuel that is not expected to be used)
18 will remain classified 100% to energy.