

1 **Q. (Reference Pre-filed Evidence of Larry Brockman) It is stated (page 12, lines 6 to 7)**  
2 **"the equivalent peaker method is directly related to the cost of the mix of generation**  
3 **upon which generation planning decisions are made." This statement was made in**  
4 **reference to the Muskrat Falls generation. In Mr. Brockman's experience as a**  
5 **generation planner, is the equivalent peaker approach relevant to all generation on**  
6 **the system? If not, what has changed since Mr. Brockman filed evidence at the 1992**  
7 **hearing recommending the use of the equivalent peaker approach for all hydro**  
8 **resources?**

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10 **A.** In Mr. Brockman's opinion, the equivalent peaker method is, from a cost causality  
11 perspective, the most appropriate classification method for the costs of any base load  
12 generating facility where a less costly peaking alternative would have been available at  
13 the time the facility was planned.

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15 As noted in Mr. Brockman's evidence, the Board recommended that the equivalent  
16 peaker method not be adopted for the classification of the costs of Hydro's existing  
17 generation at the time of the 1992 proceeding. In that regard, the Board cited two  
18 specific challenges: (i) the value to be assigned to the peaker used as a proxy for  
19 investment in capacity; and (ii) the degree to which economic assumptions affecting past  
20 planning decisions would have to be rediscovered and incorporated in the method in  
21 order to reach reasonable and equitable decisions.<sup>1</sup>

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23 Mr. Brockman accepts that the Board's concern at the time of the 1992 proceeding  
24 regarding computational and valuation challenges related to plant vintage remains valid  
25 with respect to Hydro's older generation assets. For that reason, he agrees that Hydro's  
26 existing hydraulic assets should continue to be classified using system load factor.

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<sup>1</sup> Report of the Board of Commissioners of Public Utilities to the Honourable Minister of Mines and Energy, Government of Newfoundland and Labrador on a Referral by Newfoundland and Labrador Hydro for the Proposed Cost of Service Methodology, February, 1993, pages 33-34.