1 **Q.** **With reference to lines 14 through 20 of page 19 of the Pre-Filed Evidence of**
2 **C. Douglas Bowman (August 5,2019) what approach, if any, does Mr. Bowman**
3 **suggest for addressing the issues related to cost uncertainty for the costing of**
4 **peaker units as discussed at lines 16 on page 34 through line 2 on page 35 of the**
5 **Brattle Group report?**
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8 A. Mr. Bowman recommends that the Board decide based on the evidence filed if the
9   equivalent peaker calculation in Exhibit 1 of the Application is a fair reflection of
10   the expected cost of a peaker. He notes that planners deal with such cost
11   uncertainties when evaluating generation alternatives. The cost estimates used by
12   system planners when developing a system expansion plan are reviewed by the
13   regulatory board and if approved, and the costs are deemed to have been prudently
14   incurred, will be included in the revenue requirement that is allocated to customer
15   classes in the cost of service study. The equivalent peaker calculation is being
16   proposed by Hydro for the determination of the demand/energy split for
17   classification purposes. It is not being used to determine the revenue requirement.
18   Mr. Bowman agrees with the statement by Mr. Brockman (Brockman Pre-filed
19   Evidence, page 12, lines 17 to 19) "*In my view, however, the comparative simplicity*
20   *of the load factor method is not a sufficient justification for choosing it over a*
21   *superior method. While the equivalent peaker method may require key estimates to*
22   *determine accurate energy and demand weightings, determining the reasonableness*
23   *of such estimates is within the Board's expertise.*" The equivalent peaker approach
24   is consistent with how planners plan the power system. The system load factor
25   approach is not. In Mr. Bowman's opinion, cost causation should drive the cost of
26   service study rather than a simplistic approach that is not grounded in system
27   planning. Determining the reasonableness of the cost estimate of a peaker is no more
28   difficult than determining the reasonableness of any number of inputs to a cost of
29   service study and probably less difficult than some; i.e., the reasonableness of the
30   load forecast.