Q. Newfoundland and Labrador Hydro Cost of Service Methodology Review Application, Pre-Filed Testimony of Andrew McLaren, August 5, 2019, Page 19, Lines 13-19.

"The Christensen Associates report notes the equivalent peaker method was reviewed in the 1992 methodology review and rejected by the Board for reasons of computational challenge and plant vintage and valuation issues. The Christensen Associates report states those issues apply with less force now, since the peaking unit computations pertain to a plant of current vintage. However, in InterGroup's view, these vintage issues will also affect calculations in the future. It seems likely the Board's previously expressed concerns will be an issue in subsequent COS studies if the equivalent peaker method is adopted."

Is it InterGroup's view that applying the equivalent peaker methodology to the singular Muskrat Falls Project at this time poses the same challenges as applying the methodology to all of Hydro's generating facilities of various vintages as proposed in 1992? If so, please explain. If not, why not?

A. Applying the equivalent peaker methodology to Muskrat over time will give rise to vintaging issues, in that older vintage plants (such as Bay D'espoir) will be costed as if demand is a relatively important factor in NLH's economic make-up, while the newest plant (Muskrat) will be costed as if demand is at best a minor component of NLH's economic profile. In fact, post-Muskrat, all evidence is that demand will be the driving factor causing investment, and will require careful price signals to help manage (while at the same time, energy will be a relatively low value product ties to export markets). For this reason, vintaging NLH's plants to make the newest plants be even more energy-focused than Bay D'Espoir is a challenge. The issue is only partly a computational challenge, as set out in the preamble to the question, but moreso an analytical challenge of being out-of-sync with ongoing system planning and operation constraints, which undermines the purpose of a cost of service study.