

Requests for Information

1 PUB-CA-004 **Pages 23-24: Please provide information on the two hypothetical DER**
2 **projects, described as “two consecutive utility-scale distributed energy**
3 **resource alternatives”, evaluated in the two illustrative examples,**
4 **including assumptions that would have been made with respect to**
5 **reliability statistics, the useful service and economic lives of the asset**
6 **and other relevant information.**

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8 RESPONSE: The economic life of the two consecutive utility-scale distributed energy
9 resource alternatives was assumed to be the same as the service lives shown
10 in Table 2 -- that is 25 years. To be consistent with the Sandy Brook project,
11 no assumption was made regarding reliability statistics which implies they
12 are comparable in that regard. Any differences in reliability/availability
13 would be taken into account by NP in conducting a comparison of
14 alternatives as required by the prudence review standard.

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16 This illustrative example was intended to show two things.

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- 18 • Due to the declining costs of DER alternatives, the 50 year levelized
19 costs of sequential projects with shorter lives can be less than the
20 levelized cost of an alternative 50 year project even if the 50 year
21 project has a lower levelized cost than the first of two sequential 25
22 year projects.
 - 23 • A DER project with a shorter service life will have a much lower
24 present value of life cycle revenue requirement than a long-lived
25 asset if the capacity of the second of the two successive utility scale
26 DER projects is not required after 25 years (e.g., due to growth of
27 hydrogen-based self-generation for example). This option value
28 benefit of DER projects with shorter lives is more clearly shown in
29 Figures 2 and 3 on page 25 and 26, respectively.