

1 Q. (Re: p. 11, lines 17-19)

2 Please identify Newfoundland and Labrador Hydro's marginal supply costs by
3 generation source. Does Mr. Bowman have an opinion on what the energy rate to
4 Newfoundland Power would be under marginal costs? If the answer is yes, then
5 please provide the rate.
6

7 ANSWER:

8 As stated in Hydro's July, 2001 report entitled *An Estimate of Long-run Marginal*
9 *Costs in Newfoundland and Labrador Hydro's Isolated Rural Areas*, the marginal
10 supply cost of a generation source includes fuel and variable operation and
11 maintenance costs. Fuel costs are determined on the basis of the cost of fuel and
12 lubricants and plant efficiency at expected operating levels. Hydro, as owner and
13 operator of its generating plants, has to be in a better position to provide marginal
14 supply costs by source than Mr. Bowman.
15

16 In its response to CA-19, Hydro failed to provide its marginal cost data for the
17 Island Interconnected System, so Mr. Bowman is unable to provide an opinion on
18 what the energy rate to Newfoundland Power would be under marginal costs. The
19 marginal cost of energy is represented by the marginal cost of production from
20 marginal plant, broken down by period, along with an estimate of the amount of
21 time the plant is on the margin.