

Perry and Henderson

(Re: Pages 9-11)

Q. If NP increased storage to produce more energy in winter and then spilled more than if it hadn't increased storage how much would NP's energy purchase cost increase per kilowatt-hour, in a winter month, a summer month and after the effect of the RSP?

A. Currently, Newfoundland Power pays the same price for energy for all months of the year. Newfoundland Power's production objective is to maximize its annual hydraulic production to minimize its annual purchased power expense, while at the same time attempting to ensure that hydraulic generation is available for dispatch by Hydro, if and when required, to meet peak demand.

Under the Sample Rate, the energy charge to Newfoundland Power for non-winter usage (i.e., from April to October inclusive) is 3.44¢/kWh and the energy charge to Newfoundland Power for winter usage (i.e., from November to March) is 4.70¢/kWh. Therefore, each kWh of hydraulic production that can be shifted from the non-winter period to the winter period would reduce Newfoundland Power's purchased power expense by 1.26¢/kWh. (i.e., 4.70 ¢/kWh minus 3.44¢/kWh).

Increased kWh production at Newfoundland Power's hydraulic generating plants during the winter period due to increasing storage levels at the start of the winter period would result in less kWh production at Newfoundland Power's hydraulic generating plants during the non-winter period. Under the Sample Rate, this would increase purchased power costs during the non-winter period by 3.44¢/kWh.

If the additional storage at the start of the winter period was then spilled, the cost of purchased power for the winter period would not be affected.

RSP charges are recovered through Newfoundland Power's Rate Stabilization Account (RSA) and do not affect the Company's purchased power expense. For a further explanation on the recovery of RSP charges, please see Newfoundland Power's response to Request for Information NLH-64 NP.