

Perry and Henderson

(Re: Pages 9-11)

Q. What is the potential savings in NP power purchase costs as a result of using this storage? Please provide the answer before and after RSP effects expressed in absolute dollar terms and in \$/kWh and explain how this is justified versus the potential costs.

A. If no spillage occurs as a result of additional storage of 40 GWh being utilized during the winter period, due to successfully shifting 40 GWh from the summer to winter period, Newfoundland Power would reduce its payments to Hydro by approximately \$504,000 (i.e., 40 GWh x (4.7¢ - 3.44¢) per kWh).

As explained in response to NLH-64 NP, the effect of the RSP adjustments are passed on to Newfoundland Power's customers through the RSA and do not affect Newfoundland Power's purchased power expense.

Newfoundland Power operates its hydraulic generating facilities in the interests of overall system efficiency. However, the Sample Rate presented by Hydro includes an energy charge structure that promotes the inefficient use of Newfoundland Power's water resources. This incentive does not exist under the energy-only wholesale rate. As indicated in the *Prefiled Evidence: Perry and Henderson*, Newfoundland Power believes that this incentive is one reason why the Sample Rate should not be implemented.