Q. Further to NP-55 NLH: Provide the details of the calculation of the $1.4 million estimate of deficit reduction resulting from the contract with Hydro Quebec for power purchases to serve customers in L'Anse au Loup to Red Bay.

A. In 2004 Hydro's forecast energy supplies for the system from L'Anse au Loup to Red Bay are as follows:

Purchases from Hydro Quebec:	16,344 MWh	for	$812,107
Diesel Generation[1]:	466 MWh	for	$ 68,661
Total	16,810 MWh	for	$880,768

[1] Assumed efficiency of 3.00 kWh/litre

In the absence of the secondary energy contract with Hydro Quebec, Hydro would have had to use diesel generators to supply the total energy at an estimated cost of $2,314,648 (see calculation below):

16,810,000 kWh / 3.21 kWh/litre x $0.442/litre = $2,314,648

Note that the assumed fuel efficiency has increased from 3.00 kWh/litre under light diesel loading conditions associated with the secondary energy contract, to 3.21 kWh/litre when the diesel plant is operating at much higher production levels.

The difference between the estimated fuel cost for diesel only generation ($2,314,648) and the forecast cost of supply ($880,768) yields the estimated deficit reduction of approximately $1.4 million.