

1 Q. Please specifically explain the impact of the shutdown of the ACI  
2 Stephenville Mill on the rates which Hydro is proposing in this application. As  
3 part of the response, please compare the proposed rate increases with any  
4 change in rates that would have been indicated had Stephenville Mill  
5 remained in operation and been forecast in 2007 to have electricity  
6 requirements equal to its actual 2004 electricity requirements as set out in  
7 Schedule III to the evidence of J. R. Haynes.

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10 A. The primary impact on rates caused by the shutdown of the ACI Stephenville  
11 mill is a decrease in rates that would otherwise be required, due to:

- 12 1. reduced Holyrood fuel requirements and costs due to the reduced  
13 load, and  
14 2. reduced demand and energy allocations to the Industrial Class.

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16 To provide illustrative rates for comparison, the Industrial load was increased  
17 to include the 2004 test year load for ACI Stephenville using average losses,  
18 the barrels of No. 6 fuel required for the increased generation were  
19 calculated, and the average annual 2007 forecast price per barrel of fuel was  
20 used. The following table shows the derivation of the values:

2004 Test Year ACI SV Load Forecast (kWh)	515,200,000
Less ACI SV included in 2007 PUBSUB (kWh)	(5,700,000)
Increase in Load (kWh)	509,500,000
Energy Losses	3%
Increase in load at generation (kWh)	524,785,000
Test Year Efficiency Factor (kWh/bbl)	630
Barrels of Fuel	832,992
Average Cost per Barrel	\$ 56.12
Increase in Fuel Costs if ACI SV was present	\$ 46,747,511

1       The direct rate impacts are:

		2007 Test Year	ACI SV Load at 2004 Test Year
<b><u>Newfoundland Power</u></b>			
Demand	\$/kW/mo.	7.49	6.99
Energy:			
First Block	mills/kWh	19.17	26.84
Second Block	mills/kWh	89.07	89.08
Percentage Increase		6.6%	11.4%
End Consumer Increase		4.6%	7.9%
<b><u>Industrial Customer</u></b>			
Demand	\$/kW/mo.	6.72	6.27
Energy:	mills/kWh	38.11	42.49
Percentage Increase		8.2%	15.1%

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3       Rate Stabilization Plan (RSP) Impacts for an increased ACI Stephenville load  
4       in 2006 have not been calculated, but Industrial Customer RSP rates would  
5       also differ substantially if the ACI Stephenville load had remained at 2004  
6       levels in 2006. The foregoing assumes there are no immediate generation  
7       additions required to meet this increased load.