

1 Q. In Newfoundland and Labrador Hydro's August 3, 2006 News Release
2 entitled "Hydro files General Rate Application for 2007 electricity rates with
3 the Public Utilities Board", the President and CEO of Hydro is quoted as
4 saying "*The majority of electricity rates in Newfoundland and Labrador*
5 *remain competitive with other Atlantic Canadian provinces*". At page 1 (lines
6 11-17) of Regulated Activities: Evidence, it states:

7 **"Approximately 70% of Hydro's energy supply is from renewable**
8 **hydroelectric plants. While these plants and supporting infrastructures**
9 **require increasing levels of maintenance and sustained capital**
10 **investment due to aging components, their cost effectiveness is still**
11 **outstanding in comparison to alternative generation sources. Their**
12 **renewable nature and low operating costs mitigate rate impacts of**
13 **rising fuel prices by limiting the amount of thermal generation required**
14 **to meet consumer needs."**

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16 Please explain:

17 a. To what extent Nova Scotia, New Brunswick and Prince Edward
18 Island rely upon renewable resources to generate electricity as
19 compared to non-renewable means of generation and how, if at all,
20 this was taken into account in the above referenced statement in the
21 News Release.

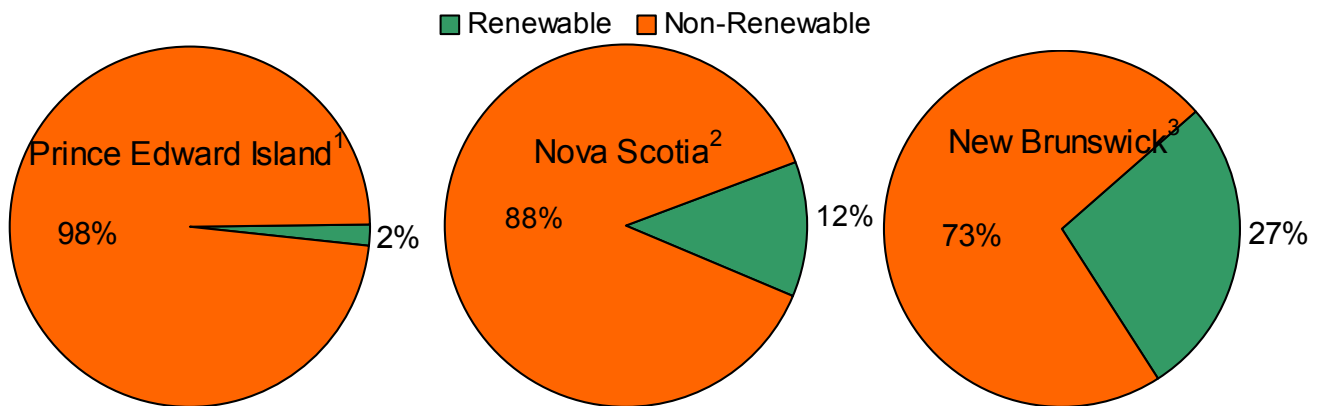
22 b. As implied in the above statement by Hydro's President and CEO,
23 which electricity rates in Newfoundland and Labrador do not remain
24 competitive with other Atlantic Canadian provinces.

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27 A. a. The charts below provide the extent to which Nova Scotia, New
28 Brunswick and Prince Edward Island rely upon renewable resources

to generate electricity as compared to non-renewable means of generation. Factors such as source of generation, population density, geographic area and cross-subsidization of remote areas all affect the level of rates in Newfoundland and Labrador and their resulting competitiveness in Atlantic Canada.



¹ Source: Maritime Electric Web Page <http://www.maritimeelectric.com/greenpower.html>

² Source: Nova Scotia Power Web Page http://www.nspower.ca/environment/green_power/

³ Source: Annual Report 2003 - 2004, page 49, Statement of In-Province Generation

((Hydro + Purchases)/ Gross Generation and Purchases)

<http://www.nbpower.com/en/corporate/about/reports/reports.aspx>

b. As can be seen in the graph on the next page, Hydro offers a wide range of rates based on the specific systems required to deliver service. While our rates are competitive with other jurisdictions with similar systems, the full cost Government Diesel rates and as well residential diesel rates for consumption in excess of the "lifeline block" would not be considered competitive with other interconnected Atlantic Canadian provinces as they do not have Isolated diesel systems.

