

- 1 **Q. Has the company at any time undertaken a study of the marginal cost of producing**
2 **energy from its hydro plants? Please provide any such studies.**
3
- 4 A. In his 1998 *Report on Newfoundland Light & Power Co. Limited Quality of Service and*
5 *Reliability of Supply*, Mr. D. G. Brown, P.Eng., observed that Newfoundland Power's 22
6 hydro electric generation stations were probably the lowest cost energy on the Island due
7 to their relatively old age and low residual book values (p.36).
8
- 9 By its nature, hydroelectric generation has low marginal costs. For Newfoundland
10 Power, which has no full time manned hydro stations, marginal costs are very small.
11 Given their low capital costs and low marginal costs, Newfoundland Power has not
12 performed any detailed study of the marginal cost of producing energy from its hydro
13 plants.