

1 **Q. Please provide the study of Newfoundland Power hydro generation showing that all**
2 **expenditures on individual hydro facilities over the remaining life of each plant are**
3 **justified on the basis of the replacement value of energy; i.e. as opposed to retiring**
4 **plant (page 4 of 65, Schedule B).**

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6 A. It is presumed that the reference in the question to page 4 of 65, Schedule B is a reference
7 to the following statement:

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9 “All expenditures on individual hydroelectric plants, such as the replacement of dam
10 structures, runners, or forebays, are justified on the basis of maintaining access to
11 hydroelectric generation at a cost that is lower than the cost of replacement energy.”

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13 The referenced statement is a general statement of Newfoundland Power’s approach to
14 justifying material capital expenditures on the Company’s hydroelectric facilities.
15 Whenever material capital expenditures are required to enable the continued safe
16 operation of a hydroelectric facility, Newfoundland Power prepares an economic analysis
17 that compares the levelized cost of energy from the individual plant to the cost of
18 replacement energy. The results of these analyses are submitted to the Board together
19 with the other information filed in support of the proposed capital expenditures, typically
20 as part of the Company’s annual capital budget application.

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22 In other instances, capital expenditures that are not so large as to affect the economic
23 viability of the individual plant may not be supported by a formal economic analysis.
24 Such expenditures are typically justified on the basis of the Company’s obligation to
25 provide service and facilities which are reasonably safe and adequate and just and
26 reasonable as required by the *Public Utilities Act*.