

1 Q. On page 2, footnote 10 of Exhibit 3: Test Year Supply Costs, Hydro states that “Hydro has a
2 contract in place with Churchill Falls (Labrador) Corporation (“CF(L)Co”) to purchase Recapture
3 Energy at a cost of 0.2 cents per kWh.”
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5 Please explain why the average purchase costs for Recapture Energy is 0.57 cents/kW.h for 2018
6 and 0.62 cents/kW.h for 2019 [as calculated based on information provided in Tables 1, 2, 7 and
7 8 of Exhibit 3] and how this is to be reconciled with the contract price of 0.2 cents/kW.h noted
8 by Hydro.
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10
11 A. The difference between the contract and delivered price is partially due to transmission losses
12 and partially due to the cost of Recapture Energy to serve the Island being incurred at the cost
13 of purchasing available Twin Falls Power Corporation Limited (“TwinCo”) Energy.
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15 Power purchases under the Hydro – Churchill Falls (Labrador) Corporation purchase power
16 contract are delivered in Labrador and, therefore, Newfoundland and Labrador Hydro (“Hydro”)
17 incurs losses to deliver Recapture Energy to the island portion of the province. Hydro’s test year
18 forecasts included losses over the Labrador-Island Link and the Labrador Transmission Assets of
19 34.4 GWh in 2018 and 70.1 GWh in 2019. These losses represent additional power purchase
20 expense for Hydro in order to ensure sufficient deliveries to the Island Interconnected System,
21 and thereby, increase the delivered price above the contract price.
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23 Twinco Energy that is not used by the Labrador Industrial Customers can only be sold to Hydro
24 Rural Customers in Labrador West, but not to the Island Interconnected System. For the 2018
25 Test Year and the 2019 Test Year, Hydro has forecast the sale of available Twinco Energy to
26 Labrador West permitting additional Recapture Energy to be sold to the Island Interconnected
27 System. To ensure customers in Labrador West are not penalized through the purchase of the
28 more expensive Twinco Energy rather than Recapture Energy, Hydro has included the additional
29 cost of purchasing Twinco Energy for Labrador West (the difference between approximately 2.2
30 cents per kWh and 0.2 cents per kWh) as a cost of purchasing Recapture Energy to avoid
31 Holyrood fuel costs for the Island Interconnected System.