Q. Reference: November 30, 2022, Hydro Presentation

Non-Firm Rate on Island Interconnected System ("IIS")

a) With respect to Slide 6: How have incremental costs changed on the IIS?

b) If Holyrood fuel is not expected to be an incremental cost, what is the rationale for including it as a potential cost of non-firm energy? Please explain with reference to Slides 6 and 13 and the Application.

c) If not answered in response to prior questions or differentiated therein, does Hydro export and sell any power in excess of firm island load? If so, provide an accounting on an annual basis from January 1, 2018.

A. **a)** The incremental cost on the Island Interconnected System has historically been the fuel cost of supplying incremental load. While Newfoundland and Labrador Hydro ("Hydro") plans to continue to maintain the Holyrood Thermal Generating Station ("Holyrood TGS") to ensure reliable service to its customers for several years after the commissioning of the Muskrat Falls Project, the Holyrood TGS is planned to operate at minimum load to support system reliability. As a result, increased energy usage by customers would not be expected to increase the fuel costs of the Holyrood TGS. However, changes in energy usage would be expected to reduce the amount of surplus Muskrat Falls energy available for exports. In this circumstance, Hydro would consider the projected export value to reflect its incremental costs.

b) If the Labrador-Island Link is unavailable at times such that the Holyrood TGS is required to operate at levels above minimum load, then Hydro would consider its incremental cost to be the fuel cost at the Holyrood TGS. To address this potential occurrence, Hydro has proposed to continue to have the option to use fuel cost in determining its incremental cost within the non-firm rate.

c) Since the commissioning of the Maritime Link in 2018, Hydro has exported[1] small quantities of energy pursuant to the Pilot Agreement for the Optimization of Hydraulic Resources.[2] This agreement provides Hydro with the ability to conduct Spill Exports (to avoid spill from its Island reservoirs or reduce risk of future spill) and Ponding (the import of market energy when pricing is low and export of energy when market pricing is higher). The quantities of energy exported for each of these activities are summarized in Table 1.

Table 1: Exports from Island Resources (MWh)

	Ponding Exports	Spill Exports	Total
2018	-	-	-
2019	12,713	2,822	15,535
2020	20,036	11,097	31,344
2021	5,969	23,967	29,936
2022[3]	4,427	25,736	30,163

[1] Hydro exports power through Nalcor Energy Marketing Corporation.
[2] The most recent version of this agreement was approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 35(2022), Board of Commissioners of Public Utilities, December 16, 2022.
[3] January – November 2022.