

1 Q. (Application para. 8) It is stated “*Hydro determined a variable rate based on a*
2 *shared savings principle which reflects the facts that, as Hydro experiences*
3 *incidental fuel savings by deferring the start-up of its most inefficient generator,*
4 *CBPP assumes a certain degree of business risk in providing capacity assistance*”.
5 Please provide further clarification of this statement. Specifically, please quantify: 1)
6 CBPP’s business risk in providing capacity assistance, and 2) the cost of the most
7 inefficient generator whose operation will be avoided by calling on CBPP capacity
8 assistance.

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11 A. 1) CBPP’s business risk has not been quantified but the nature of the risks has
12 been discussed in negotiations. Hydro understands that for CBPP to provide
13 capacity assistance, power to some papermaking processes have to be
14 interrupted and it has been explained to Hydro that there are operational risks
15 associated with stopping and starting the papermaking processes.

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17 2) The fuel costs associated with Hydro’s most inefficient generator whose
18 operation will be avoided by calling on CBPP capacity assistance will vary,
19 depending on the average cost of fuel in the facility’s tanks. In recent months
20 these costs have been in the order of \$0.36 - \$0.37/kWh.