Q. Please provide a current update to NP's estimate of the cost of replacement energy and explain the cause of any difference from the estimate contained in the NP 2007 Application. In the cost estimate please show:

(a) the impact on the cost estimate of the Project being ahead of schedule so the production of water power can be accelerated resulting in the need for less power purchases from NL Hydro, and

(b) any change in the spill estimate as compared to the filing.

A. There has been no change in the estimate of the amount of water which will be spilled as a result of the Rattling Brook refurbishment from that of 38.2 GWh presented in Newfoundland Power's *2007 Capital Budget Application.*[1]

Table 1 contains the estimates by month of the spill associated with the Rattling Brook refurbishment.

Table 1
2007 Rattling Brook Refurbishment
Spill Estimates

Month	**GWh**
April	1.7
May	7.9
June	4.8
July	3.8
August	3.4
September	5.1
October	5.5
November	6.0
Total	**38.2**

Newfoundland Power will gain no financial benefit in the event that the Rattling Brook refurbishment project is completed ahead of schedule and less replacement energy is required to be purchased. Newfoundland Power's reduction of the estimate of normal energy production for use in the Hydro Production Equalization Reserve (the "Reserve") for 2007 will ensure that any financial benefit of the lower volume of power purchases will be captured by the Reserve.

The cost of replacement energy for the estimated 38.2 GWh spill will ultimately be dependent upon the price that Newfoundland Power will pay to Newfoundland and

[1] *2007 Capital Budget Application*, Volume 2, Rattling Brook Hydro Plant Refurbishment, page 9.

Labrador Hydro ("Hydro"). The current price Newfoundland Power pays Hydro is 4.7¢ per kWh or $47,000 per GWh.

Newfoundland Power observes that Hydro currently has a general rate application ("GRA") before the Board. It is uncertain as to both the timing and amount of any change in wholesale rates that will result from this application.

In the event that the cost of replacement energy changes as a result of the outstanding Hydro GRA, Newfoundland Power would not experience any financial benefit or disadvantage. It is current regulatory practice that mechanisms are in place to ensure that flow-through applications related to increases from Hydro are revenue neutral to Newfoundland Power.[2]

[2] This is practically achieved through an adjustment to Newfoundland Power's Rate Stabilization Account. See, for example, Order Nos. P.U. 22 (2002-2003) and P.U. 19 (2004).