

1 **Volume 1, Section 1 - Introduction**

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3 **Q. (page 6, lines 4-9) “Over the longer term, supply costs can be expected to exert a**  
4 **generally upward pressure on price”. Can this statement be supported in the**  
5 **absence of an integrated resource plan in the Province?**

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7 A. Yes. The statement can be supported based on the expectation that future generation  
8 costs will exceed embedded generation costs. This expectation is based on a number of  
9 factors including:

- 10 • The existing generation mix on the Island of Newfoundland contains a significant  
11 amount of low-cost hydroelectric generation;
- 12 • The amount of low-cost hydroelectric resources remaining to be developed on the  
13 Island of Newfoundland is limited;
- 14 • The high cost of fuel will likely continue; and
- 15 • The cost of new generation to meet load growth or replace generation at the end of its  
16 life will be more expensive than generation built in the past. This is simply due to  
17 inflation and the expectation that the cost of environmental compliance will increase  
18 into the future.

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20 An integrated resource plan may provide specific information on generation costs, the  
21 impact of demand side initiatives and future supply costs. It is Newfoundland Power’s  
22 expectation that an integrated resource plan would show that the factors noted above will  
23 contribute to upward pressure on rates.