

1 Q. Please explain the impact on the prices Hydro has projected (including negotiation effects) for
2 Other Off-Island Purchases considering the increased volume of purchases in 2019 as per Table
3 7 (Exhibit 3).

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6 A. There is no impact on Newfoundland and Labrador Hydro's ("Hydro") projected prices per unit
7 as a result of the increased volume of purchases in 2019. Hydro's 2017 GRA Compliance
8 Application forecast cost of Other Off-Island Purchases is based on the spread between
9 alternative fuel sources adjusted for losses, environmental adders, and generation efficiency.
10 The forecast import volumes are determined based on the capability of the Maritime Link and
11 other external transmission infrastructure coupled with the ability to displace Holyrood thermal
12 production. Therefore, the Other Off-Island Purchases power cost is driven primarily by pegged
13 market forces.

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15 Hydro notes the overall unit cost of Other Off-Island Purchases for 2019 has increased relative
16 to the October 2018 Filing¹ due to increased volume of Other Off-Island Purchases over the
17 Maritime Link.

¹ "2018 Cost Deferral and Interim Rates Application," (Rev. 2) November 14, 2018 (originally filed October 26, 2018), ("October 2018 Filing").