

1 Q. **General Topics**

2 With the reference to Off-Island Purchases discussed at Volume I, Chapter 6,  
3 Schedule 6-I, please explain how paragraph 3(b) of the Electrical Power Control Act,  
4 1994 will apply to off-island purchases in terms of “lowest possible cost” and in  
5 terms of “most efficient production, transmission and distribution of power”. For  
6 example, please explain if the power policy of the province in effect requires Hydro  
7 to purchase Off-Island power at the expense of Exploits purchases if the price for  
8 Off-Island power is lower compared to the price for Exploits purchases at a given  
9 point in time.

10

11

12 A. Following interconnection, Hydro will continue to operate the system in a safe,  
13 reliable and least cost manner. The most efficient production, transmission, and  
14 distribution of power are all consistent with least cost. The on-island hydroelectric  
15 resources will continue to be optimized and operated in the most efficient manner  
16 in order to provide maximum benefit to Hydro’s customers.<sup>1</sup> If, at any point in time,  
17 Hydro is able to secure off-Island power at a lower cost than that produced by on-  
18 Island resources then this power will be considered in the overall mix. However,  
19 there are other factors to be considered, including the following:

20

- Area or regional reliability requirements;
- The timing (e.g., winter or non-winter and daily on-peak or off-peak periods)  
21 and duration of the off-Island source(s); and
- The capacity benefit and firmness of supply of the off-Island source(s).

22

23

---

<sup>1</sup> This is the responsibility of the new Resource and Production Planning Department which reports to the Vice-President, Production.

1 In the case of the Exploits generation, Hydro also recognizes that there are  
2 constraints related to fish management, plant integrity, and river ice control that  
3 may influence opportunities to shut down or reduce generation at the Grand Falls  
4 and Bishop's Falls plants. With respect to the overall optimization efforts, Hydro will  
5 also consider the reservoir storage position and the potential for spill at Exploits  
6 prior to securing off-island resources to reduce the likelihood that displaced energy  
7 at one point in time is replaced by a higher priced source(s) at some other point in  
8 time the future.