

1 **Q. Reference: November 30, 2022, Hydro Presentation**

2 **Non-Firm Rate on Island Interconnected System (“IIS”)**

3 a) With respect to Slide 6: How have incremental costs changed on the IIS?

4 b) If Holyrood fuel is not expected to be an incremental cost, what is the rationale for
5 including it as a potential cost of non-firm energy? Please explain with reference to
6 Slides 6 and 13 and the Application.

7 c) If not answered in response to prior questions or differentiated therein, does Hydro
8 export and sell any power in excess of firm island load? If so, provide an accounting on
9 an annual basis from January 1, 2018.

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12 A. a) The incremental cost on the Island Interconnected System has historically been the fuel cost
13 of supplying incremental load. While Newfoundland and Labrador Hydro (“Hydro”) plans to
14 continue to maintain the Holyrood Thermal Generating Station (“Holyrood TGS”) to ensure
15 reliable service to its customers for several years after the commissioning of the Muskrat
16 Falls Project, the Holyrood TGS is planned to operate at minimum load to support system
17 reliability. As a result, increased energy usage by customers would not be expected to
18 increase the fuel costs of the Holyrood TGS. However, changes in energy usage would be
19 expected to reduce the amount of surplus Muskrat Falls energy available for exports. In this
20 circumstance, Hydro would consider the projected export value to reflect its incremental
21 costs.

22 b) If the Labrador-Island Link is unavailable at times such that the Holyrood TGS is required to
23 operate at levels above minimum load, then Hydro would consider its incremental cost to
24 be the fuel cost at the Holyrood TGS. To address this potential occurrence, Hydro has
25 proposed to continue to have the option to use fuel cost in determining its incremental cost
26 within the non-firm rate.

1 c) Since the commissioning of the Maritime Link in 2018, Hydro has exported¹ small
 2 quantities of energy pursuant to the Pilot Agreement for the Optimization of Hydraulic
 3 Resources.² This agreement provides Hydro with the ability to conduct Spill Exports (to
 4 avoid spill from its Island reservoirs or reduce risk of future spill) and Ponding (the
 5 import of market energy when pricing is low and export of energy when market pricing
 6 is higher). The quantities of energy exported for each of these activities are summarized
 7 in Table 1.

Table 1: Exports from Island Resources (MWh)

	Ponding Exports	Spill Exports	Total
2018	-	-	-
2019	12,713	2,822	15,535
2020	20,036	11,097	31,133
2021	5,969	23,967	29,936
2022 ³	4,427	25,736	30,163

¹ Hydro exports power through Nalcor Energy Marketing Corporation.

² The most recent version of this agreement was approved in *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 35(2022), Board of Commissioners of Public Utilities, December 16, 2022.

³ January – November 2022.