

1 **Q. Reference: Response to PUB-NLH-110, Attachment 2**

2 The winter price for the cogeneration purchases from Corner Brook Pulp and Paper is 14 cents
3 per kWh which reflects an energy and capacity payment. Explain the basis for the capacity
4 payment for co-generation purchases given Hydro already has a capacity assistance agreement
5 with Corner Brook Pulp and Paper.

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8 **A.** The 14 cents per kWh winter price under the Cogeneration Power Purchase Agreement reflects
9 both energy and capacity value associated with Corner Brook Pulp and Paper's ("CBPP") firm
10 winter energy commitment. This commitment is distinct from CBPP's obligations under the
11 Capacity Assistance Agreement.

12 The Capacity Assistance Agreement expressly addresses the relationship between the two
13 agreements. It provides that, in the event of a capacity assistance call, CBPP is required to
14 continue to provide all committed firm energy from the Cogeneration Power Purchase
15 Agreement in addition to any amount of capacity assistance requested by Newfoundland and
16 Labrador Hydro ("Hydro"). The Capacity Assistance Agreement further provides that failure to
17 provide less than the total amount of capacity assistance requested plus the amount of Firm
18 Capacity Committed, as defined in the Cogeneration Power Purchase Agreement, would result
19 in a penalty.

20 As such, the capacity component of the cogeneration purchase price is not duplicative of the
21 Capacity Assistance Agreement. Rather, it reflects the firm capacity value associated with the
22 cogeneration energy commitment, while the Capacity Assistance Agreement provides for
23 separate and distinct capacity assistance service to be available to Hydro when called upon for
24 system capacity requirements.