



Third Quarter Financial Call

Additional questions were submitted to Nalcor's information email and via social media, which were not addressed on the Third Quarter financial teleconference call.

Following are responses to those questions.

Q) Lower oil prices mean lower operating costs for Holyrood, doesn't it?

A) Fuel purchases are Hydro's most significant cost, and are primarily driven by the fuel consumed at the Holyrood Generating Plant. Although fuel prices have recently gone down, the price of fuel is highly volatile. Fuel comprises an average of 40 per cent of the costs to generate electricity for customers. Since 2007 there has been a significant increase in the price of fuel used at the Holyrood Thermal Generating Station (Holyrood), increasing by \$38/bbl since Hydro's last GRA. The Holyrood plant remains a critical facility for the reliable supply of customers' electricity particularly during the winter period when existing electrical service demand is high due to the high level of electrical heat. Hydro secured new wind energy and hydroelectric generation to offset the use of thermal generation on the island system which has helped to reduce the rate impact for customers. In addition, every July 1, rates are adjusted through the Rate Stabilization Plan to ensure customers are paying rates based on the current and immediate forecast price of fuel.

Q) As part of NL Hydro's 2005 RFP for wind energy, a commitment was made to develop three wind energy projects with a total capacity of 75MW, or 25MW each. To date, only two of those projects have been developed. What is Nalcor's plan to honour the 2005 commitment to develop the third wind project for the island portion of the province?

A) The Provincial Government has developed a long-term plan for electricity supply that is sustainable and affordable for the people of Newfoundland and Labrador. At the centre of this plan is the development of clean and renewable Muskrat Falls hydroelectric project. With Muskrat Falls now under development and set to meet much of the province's energy demand into the future, the need for additional generation projects is diminished. Once Muskrat Falls is on stream, more than 98% of Newfoundland and Labrador's power will be from clean, renewable sources. Nalcor will pursue projects that are in the best interests of customers in terms of power reliability and price. That said, with the completion of Muskrat Falls and the Maritime Link, Newfoundland and Labrador will have interconnection to the North American grid, and coupled with a strong wind regime, there may be potential to pursue other wind energy for export in the future.