

1 Q. Please explain why it is consistent to assume that energy can be procured from the New
2 England ISO but that capacity must be procured internally. Please provide any analyses or
3 information used to support the decision.

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6 A. Under the Muskrat Falls Power Purchase Agreement, Newfoundland and Labrador Hydro
7 (“Hydro”) is not required to pay either an increase or a decrease in purchase power charges
8 as a result of an increase or decrease in customer load requirements.¹ As a result, Hydro’s
9 internal marginal energy costs for the years 2021–2019 are zero if market opportunity is
10 not considered. Given Hydro’s internal marginal energy costs are effectively zero under the
11 Muskrat Falls Power Purchase Agreement and changes in customer load requirements
12 impact the amount of energy available for exports, Hydro considered it reasonable to use
13 market value in determining the marginal generation energy cost.

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15 Please refer to Hydro’s response to PUB-NLH-011 for an explanation as to why Hydro has
16 assumed that the marginal cost of generation capacity is assumed to be procured
17 internally.

¹ Please refer to the “Supply Cost Recovery Mechanism Review,” June 15, 2016, s. 3.2.2 and provided to Brattle in the response providing the Muskrat Falls Power Purchase Agreement.