

- 1 **Q. (Application Volume 1, page 5-9) It is stated “*The Company’s future embedded and***  
2 ***marginal costs cannot reasonably be determined until the Muskrat Falls Project is***  
3 ***commissioned.”***
- 4 **a) Explain how Muskrat Falls impacts NP’s embedded costs and marginal cost**  
5 **of energy.**
- 6 **b) Given that: 1) it is not possible to “*reasonably*” determine the Company’s**  
7 **future embedded costs,**  
8 **2) NP’s GRA is based on costs for 2022 and 2023, and**  
9 **3) Muskrat Falls costs are expected to be introduced in rates later in 2021, is**  
10 **it fair to say that the revenue requirements in Table 4-1 and the cost of**  
11 **service study included in Volume 2 are not “*informed by the most detailed,***  
12 ***complete and current information available?*”**
- 13 **c) Should NP withdraw its 2022-2023 General Rate Application until there is**  
14 **clarity on what its costs will be in 2022 and 2023? If not, why not?**
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- 16 **A. a) It is currently uncertain how commissioning of the Muskrat Falls Project will**  
17 **impact Newfoundland Power’s embedded costs.**
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- 19 Marginal energy costs are forecast to be substantially lower upon commissioning  
20 of the Muskrat Falls Project. The current 2<sup>nd</sup> block energy rate in the Utility rate  
21 charged by Newfoundland and Labrador Hydro (“Hydro”) to Newfoundland  
22 Power is 18.165¢/kWh, which reflects the marginal cost of production at Hydro’s  
23 Holyrood thermal generating station. The latest post-Muskrat Falls marginal cost  
24 estimates from Hydro indicate a marginal energy rate of approximately  
25 4.2 ¢/kWh, reflecting export prices.<sup>1</sup>
- 26
- 27 The effect of new embedded and marginal costs on wholesale rate structures and  
28 cost of service allocations are expected to be addressed in Hydro’s next general  
29 rate application.
- 30
- 31 See response to Request for Information CA-NP-004 for further information.
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- 33 **b) Newfoundland Power’s application was informed by the most detailed, complete**  
34 **and current information available at the time of filing the application. See**  
35 **responses to Requests for Information CA-NP-004 and CA-NP-011.**
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- 37 **c) No, Newfoundland Power should not withdraw its 2022/2023 General Rate**  
38 **Application. See response to Request for Information CA-NP-004.**

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<sup>1</sup> See, for example, the 2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 7, Electrification, Conservation and Demand Management Plan: 2021-2025, page 3 and Schedule H.