

1 Q. (GRA, Volume II, Exhibit 9 – Cost of Service Study/Utility and Industrial Rate Design
2 Report, page 15)

3 The report states “by placing less emphasis on Holyrood fuel, this rate structure is
4 seen to be moving towards closer alignment with the possible demand/energy
5 relationship of the next least-cost supply resource”. Please provide support for this
6 statement; i.e., what is the next least-cost supply source and what are its costs of
7 capacity and energy?
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10 A. On December 17, 2012, the Government of Newfoundland and Labrador
11 announced official sanction of the Muskrat Falls development. The Muskrat Falls
12 project, and the Labrador Island Link (LIL), will provide the next least-cost supply
13 source. This combination of hydroelectric generation and transmission will shift
14 cost structures significantly away from fuel oil. However, the arrangements for
15 payment of the power and energy from the Muskrat Falls project are not available
16 at this time. Once they are available, the allocation to demand and energy will be
17 assessed and an appropriate value of capacity determined.