Q. Re: IC-NLH-076. Please explain why Lummus expects that, following bringing 823 MW of HVDC link to the island, it would become more expensive to serve demand peaks than under the current system (where LOLH requirements drive the requirement for next plant).

A. As indicated in response to IC-NLH-076, the energy coming from Muskrat Falls via the Labrador Interconnection will eliminate a high energy component of the current rate structure which is the fuel costs for Holyrood energy. The capital costs associated with the Labrador Interconnection are higher than the depreciated cost of Holyrood, which may translate into higher embedded demand costs. However, the actual allocation of the Muskrat Falls development costs to demand and energy will not be known until a future regulatory proceeding, when the Board determines the appropriate treatment of the Labrador Interconnection costs. Refer also to Hydro's response to IC-NLH-133.