

1 Q. Please provide any available evidence to support the statement in Exhibit 9 (page
2 15) that the proposed NP rate “is seen to be moving towards closer alignment with
3 the possible demand/energy relationship of the next least-cost supply resource”.
4 What information on the rate and contract terms for the Labrador infeed can be
5 provided at this time to support the statement?
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8 A. The next supply resource will be to meet a short-term capacity requirement
9 identified for the 2015/2016 winter as outlined in Hydro’s response to CA-NLH-022.
10 This would indicate demand is forecast to drive the near-term resources cost. The
11 next resource to meet Island Interconnected System supply is the Muskrat Falls
12 development which includes the cost of the transmission line from Labrador to the
13 Island, namely the Labrador-Island Link. The cost of this HVdc transmission line will
14 be primarily fixed based on the recovery of the capital cost over the life of the line.
15 The method of recovery of those costs in rates will be determined at a future
16 regulatory proceeding. However, past practice would suggest that transmission line
17 costs are recovered through demand cost allocation and therefore it is anticipated
18 that this cost would place upward pressure on the demand component of rates.
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20 The remaining element of the next least-cost resource is the capacity and energy
21 from the Muskrat Falls generating station. The method of recovery of those costs in
22 rates will also be determined at a future regulatory proceeding. However, again
23 based on past practice, where this is a hydro-electric resource the costs would be
24 recovered through a combination of demand and energy allocation to customers
25 consistent with other hydro-electric facilities.

1 The combination of the above noted elements and the reduction in reliance on
2 fossil fuels in the long term would suggest that there would be generally more
3 upward pressure on the demand component of rates rather than on the energy
4 component.