

1 **Q. Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates industrial**
2 **customers receive an "economic deterrent to reducing energy consumption"**
3 **by way of the energy price signal.**
4

5 Please confirm that one of the key ways that industrial
6 customers reduce energy consumption is by investing in capital
7 improvements or process improvements which are designed to
8 be in service for many years or decades. If yes, please confirm
9 that imposing a marginal cost signal based on Holyrood for a
10 short period (approximately 3 years) followed by a time with
11 much lower marginal costs (Labrador infeed) could incent
12 investment in capital or process improvements today that
13 would be significantly inefficient (overinvested) as of the
14 Labrador infeed.
15

16
17 **A.** Dr. Wilson agrees that capital improvements are often designed to be in service
18 for many years. He does not agree that it has been determined that the Labrador
19 interconnection will occur in three years or that, when it does occur, it will
20 necessarily result in much lower marginal energy costs. Dr. Wilson further
21 assumes that if and when marginal energy costs change substantially, Hydro and
22 the Board will design and implement new energy rates reflective of those costs.
23 He further assumes that industrial customers will make capital improvement
24 decisions based on their best expectations of future energy costs.