

1 **Q. Re: Wilson Pre-Filed Testimony, page 17. Dr. Wilson indicates that**
2 **industrial customers consume "additional amounts of energy that provide**
3 **benefits that are far below the resource costs of producing the additional**
4 **energy".**

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6 **Please provide a full description of the benefits captured in Dr.**
7 **Wilson's analysis, including process use of energy in each**
8 **industrial operation, economic benefits and employment**
9 **arising from the use of energy, taxes and payments to**
10 **government, donations to charities, and regional economic**
11 **development. Please provide all studies and analyses conducted**
12 **by Dr. Wilson or relied upon by him in regard to industrial**
13 **benefits to Newfoundland and Labrador.**

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16 **A. Under the basic and unexceptionable laws of supply and demand, rational**
17 **consumers will choose a level of consumption at which the benefits they derive**
18 **from additional consumption are equal to their cost of additional consumption. At**
19 **this optimal level of consumption, greater consumption would cost more than the**
20 **additional benefit derived and less consumption would result in a greater benefit**
21 **reduction than cost savings. For an industrial consumer of electricity this**
22 **equilibrium would be a level of industrial production (and electricity**
23 **consumption) at which additional production (and electricity consumption)**
24 **produced no additional profit. This is the basic cost/benefit balance that any well-**
25 **managed business would attempt to achieve in a market economy, and it captures**
26 **all of the costs and benefits that are expected to accrue to the business as a result**
27 **of additional consumption, including process use of energy in each industrial**
28 **operation. The rest of the details requested in this question do not change this**
29 **outcome – employment (wages paid to workers) and taxes paid to the government**
30 **are a cost to the business and are thus a component of the benefit/cost balance.**
31 **Donations to charities are a distribution of profits. Regional economic**
32 **development can involve benefits (as well as costs such as infrastructure**
33 **requirements, pollution abatement and other impacts) that are external to an**
34 **industrial firm's consumption decisions and may warrant additional government**
35 **action such as tax abatements or surcharges. Dr. Wilson has not undertaken any**
36 **studies to quantify the industrial benefits to Newfoundland and Labrador.**