

1 Q. (Rates and Regulation Evidence page 4.17, lines 13 to 17)
2 It is stated that the average embedded cost of Holyrood fuel included in forecast
3 rates for the 2013 test year is 17.77 cents/kWh. What is the marginal cost of energy
4 production from Holyrood in 2013, and forecast for each year from 2013 to 2020?

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7 A. Please see Hydro's response to CA-NLH-033 that provides Hydro's annual marginal
8 energy cost estimates for the Island Isolated System for the period 2013 to 2017 in
9 dollars per megawatt hour. Following the Labrador interconnection, Holyrood will
10 be used in standby or emergency mode only. The marginal costs are based on the
11 NERA Economic Consulting marginal cost approach for the Island Isolated
12 Interconnected System. This approach calculates the marginal cost for the system
13 rather than for each individual plant and as such, Hydro does not track the marginal
14 cost of Holyrood energy production specifically. Hydro does track the Holyrood
15 fuel cost, which is a significant component of the marginal cost of energy
16 production from Holyrood. The following table provides a projection of Holyrood
17 marginal fuel costs over the forecast time horizon.

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Projected Holyrood Fuel Cost at August 2013	
Island Interconnected System	
	Energy \$/MWh
2013	\$158
2014	\$145
2015	\$137
2016	\$142
2017	\$145

Notes:

1. Uses NERA Economic Consulting marginal cost approach (2006).
2. Fuel costs for 2013 as per test year, beyond 2014 per NLH corporate assumptions, August 2013.
3. Excludes transmission marginal costs.
4. Marginal cost projection is at customer meter.