

1 **Q: Liberty has noted (p.18) that consumer costs will rise due to the at least**  
2 **doubling of rates when Muskrat Falls comes in service.**

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4 **If such an increase in rates actually is implemented, does Liberty agree that**  
5 **building of any new capacity before Muskrat Falls availability would result in**  
6 **such new capacity becoming largely or completely redundant once Muskrat**  
7 **Falls is available and therefore a further burden to island ratepayers?**

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10 **A.** In Liberty's opinion, the presumption that any pre-Muskrat Falls addition will have  
11 value only for a few years is not correct. As we stated in our August 2016 report, we  
12 believe that new capacity will be required post-Muskrat Falls to address the  
13 reliability risks associated with an extended outage of the Labrador Island Link (LIL)  
14 which we believe should be considered unacceptable. Since that time, no information  
15 has come forth to change our opinion, and we therefore continue to believe that new  
16 capacity post-Muskrat Falls is likely, *for reliability purposes*. We also stated in our  
17 February 2017 ESRA evaluation that the post-Muskrat Falls need, or lack of need for  
18 additional capacity, is an important factor and should be weighed heavily in any  
19 decision for pre-Muskrat Falls capacity.

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21 In addition to the capacity need due to reliability issues, we are increasingly sensitive  
22 to the possibility that new post-Muskrat Falls capacity may be needed for  
23 supply/demand considerations as well. The expected deliveries to the IIS from  
24 Muskrat Falls will be reduced by (1) losses, (2) committed deliveries to Nova Scotia,  
25 and (3) the retirement of the Holyrood plant. The addition of Muskrat Falls, once  
26 thought to eliminate the need for new capacity into the 2030s, may in fact not be  
27 sufficient.

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29 Liberty agrees that the financial situation in Newfoundland and Labrador, coupled  
30 with the anticipated rate increases, argues strongly against new investment.  
31 Unfortunately, the capacity picture seems to be evolving such that new capacity, and  
32 its resulting added burden on island ratepayers, may be unavoidable.