

- 1 Q. **In Dr. Wilson’s opinion, if the Board were to set Newfoundland Power’s tailblock**
2 **based on Holyrood operating costs, would it make sense to lower the tailblock closer**
3 **to the marginal energy cost reflected in Hydro’s NERA based marginal costs, once**
4 **the Labrador-Island interconnection is completed? Please explain.**
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7 A. Not necessarily. That determination should be made following a future cost of service
8 analysis. See discussion of Labrador-Island interconnection and related generation supply
9 costs at pages 13 and 20-21 of the Report. If the Board agrees that a significant portion of
10 Labrador interconnection and generation supply costs are properly viewed as “energy”
11 costs rather than “demand” costs, it may be that these costs will not be substantially less
12 than currently estimated Holyrood energy costs.