

- 1 **Q. (CA-NP-29) Does NP agree that there is an expectation that marginal costs will be**
2 **much reduced during the 2019 and 2020 test years? Why does NP not reflect the**
3 **expected trend in reduced marginal costs in its application?**
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- 5 A. As indicated in the response to Request for Information CA-NP-031, marginal costs on
6 the Island Interconnected System are expected to decrease following the interconnection
7 to the North American grid.¹ The marginal cost outlook on the Island Interconnected
8 System is currently uncertain and is expected to be reviewed during Newfoundland and
9 Labrador Hydro's cost of service methodology review which is scheduled to be filed in
10 2018. Given this uncertainty, reflecting changing marginal costs in the Company's
11 *2019/2020 General Rate Application* is, in Newfoundland Power's view, premature.

¹ The timing of the interconnection of the Island Interconnected System continues to be delayed. When Newfoundland Power filed its *2019/2020 General Rate Application* on June 1, 2018, interconnection of the Labrador Island Link to the Island Interconnected System was anticipated by June 30, 2018. Correspondence from the Board on August 31, 2018 and placed on the record of Newfoundland and Labrador Hydro's *2017 General Rate Application*, indicates that the interconnection to the North American grid is likely to be further delayed into the upcoming winter season.