

1 Q. Page 4 of the updated Lummus report (Addendum to Exhibit 9) indicates Hydro
2 “plans to have NERA update the prior marginal cost study and to initiate a cost of
3 service proceeding in 2016 to address demand and energy costing issues with
4 respect to that agreement”. Please provide the terms of reference for the NERA
5 study, the RFP used to retain NERA and indicate the timeframe for the NERA
6 engagement.

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9 A. Hydro is implementing a two-step approach for the completion of marginal cost
10 analyses required to address demand and energy costing issues for cost of service.

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12 The initial step and analysis is being completed by NERA Economic Consulting and
13 includes two primary outcomes:

14 1) NERA will review Hydro’s current calculation of the marginal energy and
15 capacity costs of generation for the period 2015 through 2035, and will
16 advise if these calculations appropriately reflect the methodology
17 determined by NERA in 2006; and

18 2) NERA will review the contractual arrangements with Muskrat Falls to
19 identify whether the marginal cost approach determined by NERA in 2006
20 remains valid, or whether a change is warranted.

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22 The results of this initial review and analysis will be used by Hydro to determine the
23 full scope of work required of the second step of the marginal cost review and
24 analysis. Hydro will proceed with the second step of the marginal cost analysis
25 subsequent to the completion of the current review and analysis being undertaken
26 by NERA.