

1 Q. **Reference: Application, Chapter 6, page 6.24**

2 Hydro states *"Thermal sources can still be the marginal supply for non-firm energy, such as when*
3 *the Holyrood TGS is being operated to provide energy to the Island Interconnected System."*

4 a) How much energy is Holyrood expected to produce for system supply purposes in the
5 2027 Test Year?

6 b) Is thermal energy production reflected in Hydro's marginal costs and the proposed rates
7 for Newfoundland Power and the Island Industrial Customers?

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10 A. a) As shown in Schedule A-V of Newfoundland and Labrador Hydro's ("Hydro") 2026 General
11 Rate Application, the Holyrood Thermal Generating Station ("Holyrood TGS") is forecast to
12 produce 455.2 GWh of energy in the 2027 Test Year.

13 b) Hydro's marginal costs are based on normal system operating conditions, under which
14 thermal generation is not required to supply energy. Accordingly, thermal energy costs are
15 not included in the proposed rates for Newfoundland Power Inc. or Island Industrial
16 customers.

17 The Holyrood TGS is operated for reliability purposes and is forecast to run at minimum
18 generation levels to provide capacity, not energy. However, during certain events, such as
19 an unforced Labrador-Island Link outage in winter, Holyrood TGS generation may need to
20 increase above minimum levels, making thermal generation the marginal source of supply.
21 In such circumstances, non-firm load customers should either pay the applicable thermal-
22 based marginal cost or reduce consumption to their firm load entitlement.