

1 Q. Reference: CA-NP-212

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3 Please explain the legal basis on which NP may not be permitted to recover costs
4 referred to in the response, assuming they have been prudently incurred, in the long
5 run (i.e., when identified in the context of a GRA).
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7 A. The risks to cost recovery referred to in the response to Request for Information
8 CA-NP-212 are not *legal* risks.
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10 The costs associated with Nalcor Energy's Muskrat Falls project and the Labrador- Island
11 transmission link (collectively, the "Muskrat Falls project") are currently forecast at
12 approximately 3x the book value of current utility investment in the Province. These
13 costs are currently expected to be substantially recovered from Newfoundland Power's
14 customers. Recovery of costs of this magnitude implies very substantial increases in
15 customer rates.
16

17 Depending upon the ultimate size of the customer rate increases required to recover the
18 costs of the Muskrat Falls project, it is possible that Newfoundland Power may be
19 *practically unable* to recover all of its prudently incurred costs in a timely manner. This
20 possibility is explicitly recognized by credible third parties such as Moody's Investors
21 Services.¹

¹ See Volume 2, Exhibits and Supporting Materials, Exhibit 4: Credit Rating Reports: Moody's and DBRS.