

1 Q. **NLH Evidence, Section 5.2, page 5.6**

2 Citation:

3 The Board's approval of the proposed Off-Island Purchases Deferral Account will
4 begin the transition to customer rates that will provide an opportunity to achieve
5 reasonable recovery of Muskrat Falls Project costs. The current proposal is a critical
6 step to set the foundation for the broader approach for rate mitigation to be
7 successful.

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9 Please explain why Hydro considers the current proposal to be a critical step.

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12 A. Given the magnitude of the gap between the current average residential rate and
13 the projected residential rate that would be required to recover the cost of
14 providing electricity three years into the future, Hydro believes it is critical to set
15 aside any savings from the use of Muskrat Falls Project assets during the pre-
16 commissioning period to benefit the future customers that will be required to pay
17 rates to provide recovery of the Muskrat Falls Project costs. Doing so provides the
18 opportunity to contribute to smoothing the rate increases when Muskrat Falls
19 Project cost recovery commences, thus setting a foundation for the broader
20 approach for rate mitigation.