

1 Q. **Re: Section 6.2, page 6.2, note 4**

2 Citation:

3 Nalcor's June 23, 2017 project update stated that average island residential
4 electricity rates are expected to increase to 22.89 ¢ per kWh (plus HST) in 2021
5 primarily as a result of the Muskrat Falls Project. The present average rate for these
6 customers is 11.7 ¢ per kWh (plus HST), a gap of 11.19 ¢ per kWh. The level of
7 increase in customer rates resulting from the supply from the Muskrat Falls Project
8 is a policy decision to be made by the Provincial Government.

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10 Please explain why Hydro considers that the level of increase in customer rates
11 resulting from the supply from the Muskrat Falls Project is a policy decision to be
12 made by the Provincial Government, rather than a regulatory decision to be made
13 by the PUB.

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16 A. The Provincial Government has indicated that it plans to keep rates at par with the
17 forecast Atlantic Canada average of 17 cents per kWh. While the Board has the
18 authority under the *Public Utilities Act* to approve rates for the service provided by
19 Hydro, the current legislative framework exempts Hydro from the application of the
20 Act in respect of certain activities, costs, and revenues related to the Muskrat Falls
21 Project. To the extent that the Provincial Government has indicated its intention to
22 keep rates at par with a defined forecast average, and has exempted aspects of the
23 Muskrat Falls Project from the Act in the past, it is reasonable to characterize the
24 future decision regarding the level of increase in customer rates resulting from the
25 supply from the Muskrat Falls Project as a policy decision to be made by the
26 Provincial Government.