

1 Q. Further to the response to PUB-Nalcor-031, please explain the basis for the
2 assumption that approximately \$66 million of rate mitigation will result in a
3 1cent/kwh impact on the forecast domestic electricity rate.
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6 A. In response to PUB-Nalcor-056, Nalcor confirmed that an estimate of \$60 to \$70
7 million to reduce domestic electricity rates on the Island Interconnected System by
8 one cent per kWh is a reasonable guideline to consider in the discussions and
9 analysis for rate mitigation.

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11 On average, \$66 million is the amount one would have to reduce the Muskrat Falls
12 power purchase expense on the Island Interconnected System to impact domestic
13 rates by one cent per kWh. This amount is shared among all customers on the
14 Island Interconnected System based on cost of service and is not a direct subsidy to
15 domestic customers only.

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17 The exact amount of rate mitigation required to achieve a one cent per kWh
18 reduction in domestic electricity rates on the Island Interconnected System will be
19 subject to the completion of a cost of service study reflecting the outcome of the
20 Cost of Service Methodology review being undertaken by the Board during 2019.