

1 Q. In April 2019, the Provincial Government released its rate mitigation plan,
2 “Protecting You from the Cost Impacts of Muskrat Falls”. Page 6 of the Plan
3 includes a reduction in Muskrat Falls Operation and Maintenance costs of \$12
4 million. Has Nalcor received direction from the Provincial Government relating to
5 this initiative? Has Nalcor prepared a plan to achieve this reduction of \$12 million?
6 What savings/initiatives have been identified to date, and how does Nalcor intend
7 to meet the target?

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10 A. Nalcor Energy is aware of the Provincial Government’s public policy framework for
11 rate mitigation released on April 15, 2019. Nalcor views this framework as a
12 statement of shareholder expectations for the company. As outlined on page six,
13 the expectation is that Nalcor source reductions of \$12 million related to Muskrat
14 Falls operation and maintenance (O&M) costs. Nalcor understands that this target
15 was largely informed by the Phase I report from Liberty Consulting Group. The
16 framework states that these reductions are to be considered and implemented for
17 Nalcor’s budget year beginning in January 2021.

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19 As part of the Nalcor Budget 2020 process, the next iteration of a detailed budget
20 and multi-year forecast has commenced and will be finalized later this year. During
21 that process, and subsequently for Budget 2021, identifying additional cost savings
22 will continue to be a priority in order to try and achieve this target. Nalcor's efforts
23 to date in this area are shown through the update to the 2021 Base Year O&M
24 Estimate that was completed between Budget 2018 and Budget 2019, as outlined in
25 Nalcor’s response to PUB-Nalcor-050, Attachment 2.

1 Nalcor's first priority is to ensure the Muskrat Falls assets are in service and reliable
2 before considering and executing any amount of suggested significant change. As
3 such, all strategies and potential avenues to find savings must be sought out and
4 strategically considered to ensure reductions are responsible and do not
5 compromise delivery and successful integration of a reliable Muskrat Falls project
6 or any other corporate priorities set at the time. Nalcor believes this is also the
7 expectation of customers and the shareholder.