

1 Q. **Reference: Supply Cost Accounting Application, Evidence page 5 (p. 20 pdf)**

2 Citation:

3 Setting customer rates to recover the full cost of the Project will require  
4 residential rates to increase by approximately 70% in 2022 (i.e., from 13.4 cents  
5 per kWh to 22.7 cents per kWh) and Island Industrial rates to increase by  
6 approximately 90% (from 6.2 cents per kWh to 11.8 cents per kWh).<sup>7</sup> For the  
7 residential rate not to exceed 13.5 cents per kWh for 2022, rate mitigation  
8 funding of approximately \$585 million will be required to be provided.<sup>8</sup> This  
9 estimate assumes no change in the existing Muskrat Falls PPA structure and that  
10 rate mitigation will be provided to all customers on the Island Interconnected  
11 System.

12 Note 7: Derived based on Project cost estimates as of December 2020 and  
13 existing terms of Muskrat Falls PPA and TFA.

14 Note 8: Approximately \$65 million will be required for each 1 cent per kWh of  
15 rate mitigation provided to Domestic customers. This includes approximately \$7  
16 million per 1 cent per kWh of rate mitigation to be provided to Island Industrial  
17 customers.

- 18 a. Please provide detailed support (with spreadsheet) for the estimates of 22.7 cents/kWh  
19 (residential rates) and 11.8 cents/kWh (Island industrial rates) required to recover the full  
20 cost of the Project.
- 21 b. Please provide detailed support (with spreadsheet) for the statement that rate mitigation  
22 funding of approximately \$585 million will be required for the residential rate not to exceed  
23 13.5 cents/kWh in 2022.
- 24 c. Please provide detailed support (with spreadsheet) for the statement that approximately  
25 \$65 million will be required for each 1 cents/kWh of rate mitigation provided to Domestic  
26 customers (Note 8).
- 27 d. Please provide the Project cost estimates as of December 2020 referred to in Note 7.

- 1 A. a. Please refer to LAB-NLH-001, Attachment 1 worksheet “LAB-NLH-001 Unmitigated,” lines 32  
2 and 50.
- 3 b. Please refer to LAB-NLH-001, Attachment 1 worksheet “LAB-NLH-001 Mitigated,” line 33.  
4 This demonstrates the impact of applying \$585M to the revenue requirement to reach the  
5 target rate of 13.8¢<sup>1</sup> per kWh in 2022. While all the calculations are not shown in the  
6 spreadsheet to solve for rate mitigation, the results are indicative.
- 7 c. Please refer to part b. of this response.
- 8 d. The total Project cost estimates as of December 2020 referred to in Note 7 were:
- |   |        |
|---|--------|
| 9 Muskrat Falls (including Labrador Transmission Assets): | \$8.7B |
| 10 Labrador Island Link:                                  | \$4.4B |

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<sup>1</sup> 13.5¢ per kWh is the target rate for 2021, which was assumed to be escalated by 2.25% to obtain a rate of 13.8¢ per kWh for 2022.