

1 **Q. Exhibit 2, Appendix A – NPV Analysis**

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3 **Column C – Do the annual increases in electricity rates of 2.25% include the impact**  
4 **of any potential rate increases implemented by Hydro during this period?**  
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6 A. Forecast electricity rates used in the net present value analysis are based on a change  
7 from the customer rates approved by the Board in Order No. P.U. 31 (2019) Amended  
8 and annual inflationary increases in electricity rates of 2.25%. As current electricity rates  
9 include Hydro’s costs, the forecast used in the net present value analysis reflects  
10 inflationary increases in Hydro’s costs.

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12 The assumption used in the net present value analysis is based on the Provincial  
13 Government’s rate mitigation framework and assumes an annual 2.25% rate increase.<sup>1</sup>

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<sup>1</sup> See page 8 of the Government of Newfoundland and Labrador’s April 2019 release *Protecting You From the Cost Impacts of Muskrat Falls*.