

1 Q. Application, page 4, paragraph 20, states that Hydro believes that such a decrease, in proximity
2 to the likely rate increases necessary to begin recovery of the Muskrat Falls Project costs, would
3 contribute to rate stability concerns.

4 a) Please advise when Hydro expects to file a General Rate Application to include the Muskrat
5 Falls project costs into its cost of service.

6 b) Hydro has previously advised that it would not seek recovery of the Muskrat Falls Project
7 costs until after the conclusion of its next general rate application. Please advise as to the
8 expected timing of this recovery of Muskrat Falls costs in the absence of the within
9 application.

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12 A. a) Newfoundland and Labrador Hydro (“Hydro”) estimates that it would require approximately
13 nine months to prepare its next general rate application (“GRA”). This timeline would begin
14 once Hydro has certainty related to the commissioning of the Labrador-Island Link (“LIL”),
15 the financial restructuring of the Muskrat Falls Project, and the finalization of the details of
16 the provincial government’s rate mitigation plan.

17 Hydro is cognizant of the regulatory inefficiencies that would result if its GRA proposals are
18 not reflective of financial restructuring of the Muskrat Falls Project, the timing of when
19 payments under the Transmission Funding Agreement will begin, and the final rate
20 mitigation plan. With the restructuring of the Muskrat Falls Project agreements now
21 finalized, the outstanding actions are related to the commissioning of the LIL and the
22 finalization of the rate mitigation plan. The commissioning of the LIL will impact the timing
23 of required payments under the Transmission Funding Agreement, will allow access to the
24 \$1 billion in funds received related to the federal loan guarantee, and will activate the LIL
25 equity investment of \$1 billion.

26 The outstanding actions related to the rate mitigation plan from the provincial government
27 include confirmation of the mechanism by which rate mitigation will be provided to
28 customers, and confirmation of the timing of those payments by the provincial government

1 to Hydro. Without having the required information, Hydro does not have adequate certainty
2 to develop a test year forecast revenue requirement for use in its GRA filing. As a result, the
3 time frame for filing Hydro’s next GRA is unknown at this time.

4 b) The Supply Cost Variance Deferral Account includes a Project Cost Recovery component
5 which notes that: “Charges applied to customers to recover [Muskrat Falls] Project costs will
6 be credited to the Project Cost Recovery component of the deferral account and tracked by
7 customer class.”¹ Hydro noted in its evidence provided as part of the application for
8 approval of the Supply Cost Variance Deferral Account² that the proposed deferral account
9 would also provide for rate changes implemented solely to recover Muskrat Falls Project
10 costs to be applied to the proposed deferral account to offset Muskrat Falls Project charges.
11 Hydro previously advised that it will not seek disposition of the balance in the Supply Cost
12 Variance Deferral Account until the conclusion of its next GRA. This continues to be Hydro’s
13 intent.

¹ *Public Utilities Act*, RSNL 1990, c P-47, Board Order No. P.U. 4(2022), Board of Commissioners of Public Utilities, February 21, 2022, sch. A, s 3.0. p. 1 of 7.

² “Supply Cost Accounting Application,” Newfoundland and Labrador Hydro, July 29, 2021.