

1 Q. **Reference: Application para. 20**

2 It is stated “On April 14, 2023, Hydro received a letter from the Minister of Industry, Energy and  
3 Technology requesting Hydro to propose no increase in the amount of Project costs to be  
4 recovered from customers in its rates, to become effective July 1, 2023.”

5 a) What impact is non-recovery of amounts owing to project costs likely to have on  
6 Hydro’s financial position?

7 b) What impacts is non-recovery of amounts owing to project costs likely to have on  
8 customers; e.g., rate impacts?

9 c) Has the government been made aware of these impacts? Has the government agreed to  
10 cover the cost of any financial impacts resulting from its request?

11 d) Does the letter from the Minister prohibit Hydro from reducing the amount of Muskrat  
12 Falls Project cost to be recovered from customers in its rates to become effective July 1,  
13 2023?

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16 A. a) Muskrat Falls Project (“Project”) costs not recovered through customer rates are charged to  
17 the Supply Cost Variance Deferral Account for future collection from customers.  
18 Additionally, financing costs are applied to the Supply Cost Variance Deferral Account to  
19 reflect Newfoundland and Labrador Hydro’s (“Hydro”) short-term borrowing costs. There  
20 are no negative financial impacts on Hydro from short-term deferral of Project costs.

21 b) Deferral of Project costs increase the supply cost amounts to be funded by either future  
22 customers or through rate mitigation funding. Details on the final rate mitigation plan are  
23 not yet available; therefore, the projected rate impacts cannot be provided.

24 c) Yes, the Government of Newfoundland and Labrador (“Government”) has been made aware  
25 of the impact of delayed recovery of Project costs from customers and the potential for  
26 increased rate mitigation requirements in the future. While the Government has not made

1 any further commitment beyond the \$190.4 million grant provided in March, the letter  
2 dated April 14, 2023 reiterated Government's commitment to rate mitigation.<sup>1</sup>

3 **d)** The letter from the Minister does not specifically address whether the Project Cost Recovery  
4 Rider should decrease. Please refer to Hydro's response to PUB-NLH-001 for the rationale  
5 for Hydro's proposal of no increase in the Project Cost Recovery Rider at this time.

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<sup>1</sup> "Application for July 1, 2023 Utility Rate Adjustments," Newfoundland and Labrador Hydro, April 17, 2023, sch. 2.