

- 1 Q. On March 31, 2023, the Government of Newfoundland and Labrador issued a grant payment to
2 Hydro of approximately \$190 million to reduce the 2022 year-end balance in the Supply Cost
3 Variance Deferral Account.
- 4 **a)** Is there a restriction that limits the grant to only be allocated to costs incurred as a
5 result of the Muskrat Falls Project?
- 6 **b)** Did Hydro consider whether a portion of the Government’s grant can be applied to
7 reduce or eliminate the remaining balance of \$60.7 million in the Rate Stabilization Plan
8 as of March 31, 2023?
- 9 **c)** Please provide a calculation of the rate impact if the Rate Stabilization Plan balance was
10 eliminated.
- 11 **d)** Does Hydro consider the elimination of the Rate Stabilization Plan balance, which will be
12 included in rates until at least 2026, a form of rate mitigation? If not, please explain why
13 not.
- 14
- 15
- 16 A. **a)** The direction to Newfoundland and Labrador Hydro from the Government of Newfoundland
17 and Labrador (“Government”) is attached as PUB-NLH-003, Attachment 1. As outlined in
18 their March 30, 2023 correspondence:
- 19 The funds provided under the grant can be used for no other purpose but to be
20 included as rate mitigation to reduce the balance in Newfoundland and
21 Labrador Hydro’s Supply Cost Variance Deferral Account for the benefit of rate
22 payers in the rate setting process.
- 23 **b)** Please refer to part a) of this response.
- 24 **c)** PUB-NLH-003, Attachment 2 provides the updated bill impacts if the Rate Stabilization Plan
25 (“RSP”) were eliminated.
- 26 **d)** Elimination of the RSP balance would reduce costs to be recovered from current customers
27 through a reduced RSP rate adjustment. However, transferring the funds from the Supply

1 Cost Variance Deferral Account to eliminate the historic RSP balance would increase the
2 balance owing from customers in the Supply Cost Variance Deferral Account for future
3 recovery. As explained in response to PUB-NLH-001, there are intergenerational equity
4 concerns with following such an approach. In addition, as indicated in part a) of this
5 response, correspondence from Government enabling the transfer does not permit the use
6 of the funds provided to apply to reduce to balance in the RSP.



Government of Newfoundland and Labrador
Department of Industry, Energy and Technology
Office of the Minister

March 30, 2023

Ms. Jennifer Williams
President and CEO
Newfoundland and Labrador Hydro
Hydro Place, 500 Columbus Drive
P.O. Box 12400
St. John's, NL A1B 4K7

Dear Ms. Williams:

Re: Grant Payment for the Purpose of Rate Mitigation

On behalf of the Government of Newfoundland and Labrador, I am pleased to inform you that Government has approved a grant payment to Newfoundland and Labrador Hydro in the amount of \$190,404,321 for the purposes of rate mitigation subject to the terms and conditions below.

As part of this Government's commitment to mitigating rates on the Island Interconnected System as a result of the Lower Churchill Project, Government is providing this grant of \$190,404,321 to Newfoundland and Labrador Hydro for the purpose of mitigating projected future customer rate increases that would be required to recover net supply costs incurred to the end of 2022. The funds provided under the grant can be used for no other purpose but to be included as rate mitigation to reduce the balance in Newfoundland and Labrador Hydro's Supply Cost Variance Deferral Account for the benefit of rate payers in the rate setting process. Funds provided under the grant are non-repayable unless utilized by Newfoundland and Labrador Hydro for another purpose other than outlined herein.

Upon receiving these funds, you are confirming Newfoundland and Labrador Hydro's acceptance of this grant and its terms and conditions noted above. I thank you and your Hydro team for your continued efforts to assist Government as we address the challenges of rate mitigation. I look forward to receiving your response.

Sincerely,

A handwritten signature in blue ink, appearing to be "A. Parsons".

HON. ANDREW PARSONS, KC
Minister of Industry, Energy and Technology

c. Hon. Dr. Andrew Furey, Premier

Utility Estimated Customer Billing Impacts – July 1, 2023
 RSP, CDM, and Project Cost Recovery Rider

	Billing Units ¹	Unit	Current Rates	Billings at Existing Rates (\$)	Proposed July 1, 2023 Rates	Revised Billings (\$)	Change (\$)	Change Utility (%)	Estimated Change End Customer ² (%)
Demand (kW)	15,012,624	\$/kW/mo	5.00	75,063,120	5.00	75,063,120			
Energy (MWh)	3,960,000	¢/kWh	2.444	96,782,400	2.444	96,782,400			
Energy (MWh)	1,548,829	¢/kWh	18.165	281,344,738	18.165	281,344,738			
Total Base Rate				453,190,258		453,190,258	-		
RSP Current Plan Adjustment	5,508,829	¢/kWh	(0.023)	(1,267,031)	0.000	-	1,267,031	0.3	0.2
CDM Cost Recovery Adjustment	5,508,829	¢/kWh	0.035	1,928,090	0.015	826,324	(1,101,766)	(0.2)	(0.2)
Project Cost Recovery Rider	5,508,829	¢/kWh	0.798	43,960,453	0.798	43,960,453	-	0.0	0.0
Total				497,811,770		497,977,035	165,265	0.0	0.0

¹ Billing units are based on 2022 actuals.

² Percentages may not add due to rounding.