

1 Q. Would the approach which is taken by the provincial government with respect to mitigating
2 rates following the commissioning of the Muskrat Falls project have the potential to impact the
3 timing or amount of the estimated electrification rate mitigation benefits which are passed on
4 to customers?

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7 A. *This Request for Information relates to the Electrification, Conservation and Demand*
8 *Management Plan: 2021-2025 (the “2021 Plan”) developed in partnership by Newfoundland and*
9 *Labrador Hydro and Newfoundland Power (“Hydro” or, collectively, the “Utilities”). Accordingly,*
10 *the response reflects collaboration between the Utilities.*

11 The exact approach that will be taken by the Government of Newfoundland and Labrador with
12 respect to rate mitigation remains unclear.¹ However, regardless of the approach taken, Hydro
13 does not believe it will have bearing on the current application before the Board of
14 Commissioners of Public Utilities.

15 Hydro’s application is forecast to result in rate mitigation benefits for all customers on the Island
16 Interconnected System. In this respect, it will result in power being delivered to the customers
17 at the lowest possible cost consistent with reliable service and is therefore consistent with
18 Section 3(b)(iii) of the *Electrical Power Control Act, 1994*.

19 Previously, conservation and demand management programming resulted in least-cost service
20 to customers by focusing on energy savings in response to the high marginal cost of No. 6 fuel.
21 With the in-service of the Muskrat Falls Project, the marginal cost of energy will be less than the
22 embedded cost, and the cost of capacity will be high. The Electrification, Conservation and

¹ On July 28, 2021, the Government of Newfoundland and Labrador and the federal government announced an agreement-in-principle that will mitigate rate impacts associated with the Muskrat Falls Project. The mitigated customer rate target was updated to 14.7 ¢/kWh, or approximately 9% higher than previously indicated target of 13.5 ¢/kWh. Please refer to Hydro’s response to PUB-NLH-047 for the impact a change in rate assumptions has on Hydro’s NPV analysis associated with electrification.

1 Demand Management (“ECDM”) Plan therefore seeks to offer electrification programming
2 which will lower system costs for all customers in response to these new system conditions.

3 In Hydro’s view, its mandate to provide least-cost reliable service to customers is unchanged
4 and the 2021–2025 ECDM Plan will allow Hydro to continue to meet this statutory obligation.