

1 Q. **Reference: Supply Cost Accounting Application, paragraph 16.**

2 Please detail the impact the approval of all Application proposals would have on Hydro's 2021
3 forecast regulated earnings assuming (i) Hydro's Muskrat Falls Contractual Payments begin
4 October 1, 2021 and total \$1 in 2021 and (ii) Muskrat Falls Related Revenues total \$1 in 2021.

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7 A. Newfoundland and Labrador Hydro's ("Hydro") application seeks approval of a deferral account
8 which will permit the deferral and recovery of changing system costs as a result of the in-service
9 of the Muskrat Falls Project ("Project") and the transition of the Holyrood Thermal Generating
10 Station to a synchronous condenser. This deferral account is proposed to become effective on
11 the date upon which Hydro is required to begin payments under the Muskrat Falls Power
12 Purchase Agreement.

13 The above noted scenario is not possible in the context of the contracts surrounding the in-
14 service of the Project and would therefore not provide an accurate representation of the
15 operation of the proposed Supply Cost Variance Deferral Account in 2021. If Hydro were not
16 required to make payments or able to record revenues associated with the Project, the existing
17 deferral accounts as approved by the Board of Commissioners of Public Utilities would remain in
18 effect. Please refer to: (i) Hydro's response to NP-NLH-001 for the forecast 2021 regulated
19 earnings assuming no application was filed and (ii) Hydro's response to NP-NLH-002 for the
20 forecast 2021 regulated earnings assuming the application proposals are all approved.