

1 Q. **Reference: Schedule 1: Evidence**

2 According to the information in the Application Hydro is proposing a deferral account to record
3 the costs associated with the significant monthly Muskrat Falls PPA and TFA payments that
4 Hydro is required to pay for the supply of energy from the Muskrat Falls Project. These monthly
5 payments are scheduled to commence in the Fall of 2021, and will continue to be recorded in a
6 deferral account until disposition is determined by the Board, subsequent to the conclusion of
7 Hydro's next general rate application. Please explain how Hydro will be financing these cash
8 payments during this period with no revenue collected from rates associated with these costs,
9 and the uncertainty of the timing and details of the province's rate mitigation plan.

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12 A. Newfoundland and Labrador Hydro ("Hydro") plans to utilize short-term borrowings to make
13 these payments until funding is available from the Government of Newfoundland and Labrador
14 ("Government") through the rate mitigation plan. Hydro estimates it has adequate borrowing
15 capacity to make approximately five months in payments without rate mitigation funding or
16 additional revenues from customers.

17 Government has been informed of Hydro's proposed approach to deferral of Muskrat Falls
18 Project costs until additional revenues and/or rate mitigation funding is provided.