

1 Q. Please advise as to Hydro's plans with respect to the allocation and recovery of the Muskrat
2 Falls costs for all of its customer classes, including the Island Industrial Customers and future
3 recovery from the Utility customer.

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6 A. As stated in Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-003 filed as
7 part of the Supply Cost Accounting Application process, the approval of the Supply Cost Variance
8 Deferral Account will serve as a temporary measure to deal with the transition to incorporating
9 Muskrat Falls Project costs into customer rates.¹ The Supply Cost Variance Deferral Account will
10 enable rate mitigation funding and/or rate changes implemented to recover Muskrat Falls
11 Project costs to be credited to the deferral account to offset the Muskrat Falls Project costs.

12 As stated in Hydro's response to PUB-NLH-018 of the Supply Cost Accounting Application:

13 In its next general rate application ("GRA"), Newfoundland and Labrador Hydro
14 ("Hydro") will provide evidence to incorporate Muskrat Falls Project ("Project")
15 costs and rate mitigation into customer rates and present additional evidence
16 on a long-term approach (i.e., post-conclusion of Hydro's next GRA) to the
17 Supply Cost Variance Deferral Account. This evidence will include: (i) proposals
18 with respect to allocation and recovery periods for future balances in each
19 component of the supply cost variance deferral account; (ii) proposals on the
20 timing of customer rate changes for disposition of annual deferral account
21 balances; (iii) a long-term approach to incorporating rate mitigation funding into
22 the development of customer rates and (iv) a review of whether changes are
23 required to the load variation component of the deferral account (i.e.,
24 potentially to deal with customer demand variations to ensure Hydro has the
25 opportunity to recover all Project costs).

26 Hydro believes the Board of Commissioners of Public Utilities' decisions on the
27 long-term allocation approach to the new components of the Supply Cost
28 Variance Deferral Account (i.e., Project costs, export values, Greenhouse Gas
29 Credit revenues, transmission tariff revenues, rate mitigation funding) will
30 provide a sound basis for the subsequent application proposals for allocation of

¹ As per Hydro's response to request for information ("RFI") PUB-NLH-003, p. 1 of 2/13-14, of the Supply Cost Accounting Application, filed on August 31, 2021.

1 the historical balances that have accumulated prior to the conclusion of the
2 GRA.²

3 Please refer to Hydro's responses to PUB-NLH-005 and part a) of PUB-NLH-009 of this
4 proceeding, with respect to Hydro's approach to future recovery of Muskrat Falls Project costs
5 through the use of Project Cost Recovery Riders in combination with the Supply Cost Variance
6 Deferral Account.

² As per Hydro's response to RFI PUB-NLH-018, p. 1 of 2/12–27, of the Supply Cost Accounting Application, filed on August 31, 2021.