

1 Q. (Hydro’s June 30, 2021 submission to the Board titled *Quarterly Update – Items*  
2 *Impacting the Delay of Hydro’s Next General Rate Application*) It is stated (page 2)  
3 “It is currently projected that Hydro will be required to begin payments under the  
4 *Muskrat Falls PPA on October 1, 2021, in advance of the commissioning of the*  
5 *Labrador-Island Link (currently scheduled for November 14, 2021). Hydro is required*  
6 *to make payments under the Transmission Funding Agreement one day after full*  
7 *Project commissioning, currently projected to be November 15, 2021.” Hydro goes on*  
8 *to say “To address the cost impact that may materialize as a result of these contractual*  
9 *requirements, Hydro intends to file an application in the third quarter of 2021 to revise*  
10 *its supply cost deferral accounts to allow for the transfer of cost variances associated*  
11 *with the commissioning of the Muskrat Falls Project assets that may occur on a go-*  
12 *forward basis. The deferral account revisions are intended to address the potential for*  
13 *Hydro to incur financial losses during this transition period.” Please explain how the*  
14 *revenue requirement and cost of service study in the 2022-2023 GRA is “informed by*  
15 *the most detailed, complete and current information available” (from January 15,*  
16 *2018 letter from NP to the Board entitled Newfoundland and Labrador Hydro*  
17 *(“Hydro”) – 2017 General Rate Application (the “2017 GRA”): Consumer Advocate*  
18 *Application to Delay Proceeding (the “Application”), page 5 of 5).*

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20 A. See response to Request for Information CA-NP-010 and CA-NP-011 concerning  
21 Newfoundland Power’s revenue requirement.

22  
23 Newfoundland Power’s *Cost of Service Study* filed as part of its *2022/2023 General Rate*  
24 *Application* is based on actual costs incurred in 2019 and the functional classification of  
25 purchased power costs based on Hydro’s *2019 Test Year Cost of Service Study* used to set  
26 rates.<sup>1</sup> Hydro’s *2019 Test Year Cost of Service Study* was used in determining the current  
27 Utility rate and was the most recently available study for use in allocating purchased  
28 power costs in Newfoundland Power’s *Cost of Service Study*. Upon completion of  
29 Hydro’s next general rate application, a new Utility rate will become available along with  
30 an associated new test year cost of service study. Both the new Utility rate and the new  
31 test year cost of service study can then be incorporated into a new Newfoundland Power  
32 cost of service study. The results of the new Newfoundland Power cost of service study  
33 will be used as an input into the Retail Rate Review to determine how retail rates should  
34 change in the future.<sup>2</sup>

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<sup>1</sup> See the *2022/2023 General Rate Application, Volume 2, Supporting Materials, Tab 4, Cost of Service Study*  
page 40 of 43, line 1.

<sup>2</sup> See response to Request for Information NLH-NP-034.