

1 Q. (Reference 2017 GRA Volume I, page 1.10) It is stated (lines 24 to 26) “*The deferral*
2 *account will permit the savings from off island purchases to offset the transmission*
3 *costs to be incurred by Hydro. Any additional savings will be set aside for the benefit*
4 *of customers.*” Is the deferral account proposed to offset transmission costs, or is it
5 proposed to mitigate the overall rate increases expected to be brought on by the
6 Muskrat Falls project?

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9 A. The proposed Off-Island Purchases Deferral Account is proposed to mitigate rate
10 increases expected to occur from the Muskrat Falls generating station and the
11 transmission costs of the Labrador-Island Link (LIL) and the Labrador Transmission
12 Assets (LTA).¹

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14 Hydro considers it prudent to pay the reasonable operating costs for use of the LIL
15 and the LTA prior to full commissioning of the Muskrat Falls Project to provide the
16 opportunity to reduce generation at the Holyrood Thermal Generating Station and
17 to provide increased reliability to the Island Interconnected System. For further
18 information please refer to Hydro’s response to NP-NLH-114.

¹Order in Council (OC) 2013-343 requires that the rates that apply post Muskrat Falls commissioning include the costs that Hydro pays for transmission access during the pre-commissioning period, in addition to the other costs of the Muskrat Falls Project.