

1 Q. (Hydro’s April 30, 2018 submission to the Board concerning the *Motion of the*
2 *Consumer Advocate requesting clarification of the Jurisdiction of the Board*) It is
3 understood that Hydro’s position with respect to Board jurisdiction is that: 1) the
4 Board has no jurisdiction over any costs related to the Muskrat Falls project; i.e., if a
5 cost is identified with respect to the Muskrat Falls project, the Board is required to
6 pass through the cost to Island customers without any review or modification, and
7 2) the costs of the Muskrat Falls project cannot be recovered from customers until
8 the project as a whole is near commissioning and at this time, the project is not
9 considered to be near commissioning.

10
11 a) Please confirm the accuracy of this statement, or otherwise provide a
12 modified statement reflecting Hydro’s position with respect to Board
13 jurisdiction.

14
15 b) Please explain why it is necessary to set aside LIL/LTA O&M costs in the
16 proposed Off-Island Purchases Deferral Account if, as Hydro believes, the
17 Board is required to pass these costs through to customers when the
18 Muskrat Falls project is near commissioning. Please explain why these costs
19 would not be accumulated as part of the Muskrat Falls project costs and be
20 passed through to customers at the same time all other costs of the Muskrat
21 Falls project are passed through.

22
23 c) If Hydro continues to believe it appropriate to set aside LIL/LTA O&M costs
24 in the proposed Off-Island Purchases Deferral Account, why does Hydro
25 consider it appropriate to set aside only the O&M costs rather than the
26 O&M costs and capital costs associated with the LIL/LTA transmission
27 assets?

1 d) Please explain what options might be available to the Government’s rate
2 mitigation committee to “mitigate” rates when as a requirement of the
3 financing for the Muskrat Falls project the Board is required to pass through
4 all costs of the project. What recourse does the Government rate mitigation
5 committee have if all costs are governed by legal instruments?
6

7 e) What is the value of using an 18 cents/kWh target if rates on the Island are
8 forecast to be 22.9 cents/kWh in 2021 and if owing to financing
9 requirements for the Muskrat Falls project the Government’s rate mitigation
10 committee has no recourse? At this point, how realistic is any target other
11 than the 22.9 cents/kWh figure forecast by Nalcor?
12

13 f) Do the companies that own the Muskrat Falls facilities have any incentive to
14 manage costs when they are allowed direct pass through of all costs to
15 customers without any vetting or modification by the Board? If so, please
16 explain.
17

18 g) Are there any means available for reducing rates from the 22.9 cents/kWh
19 forecast by Nalcor other than Hydro’s ability to cut costs that are not
20 associated with the Muskrat Falls project?
21

22
23 A. a) Hydro’s position with respect to Board jurisdiction is provided in Hydro’s
24 April 30, 2018 submission to the Board concerning the *Motion of the*
25 *Consumer Advocate requesting clarification of the Jurisdiction of the Board.*

- 1 b & c) As noted in Hydro’s 2017 GRA Supplemental Evidence, the usage of the
2 LIL/LTA assets, during the period prior to full commissioning of all of the
3 Muskrat Falls assets benefits Hydro’s customers through improved reliability
4 and a reduction in supply costs. Hydro believes that it is reasonable for
5 Hydro to reimburse Nalcor for the costs associated with Hydro’s use of the
6 assets to provide benefits to its customers. Hydro’s approach to the Off
7 Island Purchases Deferral Account is one of a number of options that Hydro
8 considered, which is further explained in Hydro’s response to NP-NLH-114.
9
- 10 d) The options available to Government to provide rate mitigation are not
11 before the Board for its consideration in the 2017 GRA.
12
- 13 e) The targeted end-consumer average rate post-Muskrat Falls commissioning
14 is not before the Board for its consideration in the 2017 GRA.
15
- 16 f) The efficient management of costs by the companies that own the Muskrat
17 Falls Project facilities will contribute to less funds being required from
18 Government and Nalcor to provide rate mitigation to customers. Therefore,
19 there is an incentive for all Nalcor companies to engage in cost management
20 on a least cost basis.
21
- 22 g) Please refer to d).