

1 Q. **Muskrat Falls**

2 References: (i) NLH 2017 GRA, Evidence, chapter 1, page 1.4

3 (ii) NLH 2017 GRA, Supplemental Evidence, chapter 6, page 6.2

4 (i) « *The key factors underpinning the requests made in this Application are: [...]*

5 *- It is well known that the impact of the Muskrat Falls Project on customer rates will*

6 *be significant. [...]* »

7 (ii) « *At its next GRA, Hydro will be proposing increased customer rates to begin*

8 *recovery of the cost of the Muskrat Falls Project upon completion of its full*

9 *commissioning expected in late 2020. Given that future rates will increase to*

10 *provide recovery of the costs of the Muskrat Falls Project, Hydro considers it*

11 *reasonable that those same future customers responsible for the recovery of the*

12 *Muskrat Falls Project costs receive the benefit from any savings that can be*

13 *achieved through early use of the LIL and LTA. Therefore, Hydro is proposing the*

14 *net savings from off-island power purchases prior to Muskrat Falls Project*

15 *commissioning be set aside to be used to reduce the customer rate impact of the*

16 *future recovery of the costs of the Muskrat Falls Project* »

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18 Please confirm whether Muskrat will impact the Labrador Industrial customers since

19 they are not intended to benefit from the generation from Muskrat Falls?

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22 A. Hydro confirms that Muskrat Falls Project costs will not impact the Labrador

23 Industrial Customers' rates. In accordance with OC2013-343, these costs will be

24 recovered through Island Interconnected rates. Order in Council OC2013-343 states

25 that:

26 *Any expenditures, payments or compensation paid directly or*

27 *indirectly by Newfoundland and Labrador Hydro, under an*

28 *agreement or arrangement to which the Muskrat Falls Project*

29 *Exemption Order applies... shall be included as costs, expenses or*

1 *allowances, without disallowance, reduction or alteration of those*
2 *amounts, in Newfoundland and Labrador Hydro's cost of service*
3 *calculation in any rate application and rate setting process, so that*
4 *those costs, expenses or allowances shall be recovered in full by*
5 *Newfoundland and Labrador Hydro in Island interconnected rates*
6 *charged to the appropriate classes of ratepayers...* [emphasis
7 added].