

1 **Q.** Further to NLH-CA-005, please explain how Mr. Bowman's proposal is  
2 consistent with Order in Council OC2013-343.  
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4 **A.** Mr. Doug Bowman understands the question to be “*Please show how the fixed*  
5 *rate adder approach for accumulating funds in a deferral account for rate*  
6 *mitigation purposes is consistent with OC2013-343*”. He apologizes if this does  
7 not reflect what the questioner had in mind.  
8

9 Mr. Doug Bowman first wants to be clear that he does not support the cost of  
10 service study and the rate mitigation plan proposed by Hydro in the 2017 GRA.  
11 He would only consider supporting rate mitigation if: 1) the information  
12 documented in PUB-CA-003 is placed on the record, 2) the cost of service study  
13 reflects the expected supply scenario with off-island purchases over the LIL and  
14 ML, and 3) the parties support rate mitigation and agree on a design and format.  
15

16 OC2013-343 relates to cost recovery of the Muskrat Falls Project. Hydro is not  
17 allowed to recover costs associated with the Muskrat Falls project in any rate  
18 setting process until (Clause 3 (b)) “*in any event, in respect of each of Muskrat*  
19 *Falls, the LTA or the LiL, until such time as the project is commissioned or*  
20 *nearing commissioning and Newfoundland and Labrador Hydro is receiving*  
21 *services from such project.*” Mr. Doug Bowman is not a lawyer, so is not qualified  
22 to say if a fixed rate rider is consistent with OC2013-343. He notes that the order  
23 is open to interpretation:  
24

- 25 a) Island customers will start receiving “*services*” from the project beginning  
26 mid-2018 when LIL/LTA is commissioned (although not from the generation  
27 component of the project until September 2020). Does this mean that Hydro  
28 can start recovering costs for the LIL/LTA transmission component in mid-  
29 2018 when Island customers start receiving “*services*” from the project? Hydro  
30 seems to think so since it is proposing to collect O&M costs for the LIL/LTA  
31 transmission assets coincident with its commissioning in mid-2018, well ahead  
32 of the September 2020 commissioning date for Muskrat Fall generation.  
33 b) Hydro is proposing to start collecting the costs of the Muskrat Falls project in a  
34 deferral account beginning in January 2018 coincident with the commissioning  
35 of the Maritime Link, ahead of the mid-2018 commissioning date for the  
36 LIL/LTA transmission, and well-ahead of the September 2020 commissioning  
37 date for Muskrat Falls generation.<sup>1</sup>

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<sup>1</sup> It is stated (Application Volume 1 (rev. 3), page 1.10, lines 19-20) “*Hydro is proposing that the costs to use the Muskrat Falls Project transmission assets be recognized and paid for from the savings from off-island purchases.*”

1 Mr. Doug Bowman doubts that the intent of OC2013-343 was for electricity  
2 customers in the Province to be denied hundreds of millions of dollars in benefits  
3 just because commissioning of the generating component of the project is lagging  
4 the transmission component by two years. He notes that "*The Provincial*  
5 *Government has indicated that it plans to keep rates at par with the forecast*  
6 *Atlantic Canada average of 17 cents per kWh*" (LAB-NLH-36) and that "*rate*  
7 *mitigation actions or plans beyond what Hydro has proposed in the 2017 GRA*  
8 *Hydro will be a policy decision of government*" (CA-NLH-6). If the Provincial  
9 Government is intent on inserting itself in the ratemaking regime for the electricity  
10 sector, then it is not a stretch that the Government might be encouraged to step in  
11 to repeal OC2013-343 (and OC2009-063 for that matter) if they receive proper  
12 guidance on the issue.

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14 Mr. Doug Bowman further clarifies that if the parties were to agree to a fixed  
15 adder approach to rate mitigation, the funds that have accumulated in the account  
16 would be used to mitigate future rate increases brought on by the Muskrat Falls  
17 Project – not to recover the costs of the project.

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19 Again, Mr. Doug Bowman defers to the lawyers representing the parties to this  
20 undertaking to make such determination, and reiterates his earlier statement that  
21 rate mitigation should only be pursued if the above three conditions are met.