Q. **Summary Report – Additional Cost of Service Information, Section 3.2, page 7, Table 5: Expected Supply from Off-Island Purchases (GWh), Section 4.0, page 12, Table 8: Comparison of Required Increases in Customer Billings for 2018 Test Year and page 13, Table 9: Comparison of Required Increases in Customer Billings for 2019 Test Year**

Based on the responses to Requests for Information NP-NLH-273 and NP-NLH-274 above, is there a point where greater reliance on the Maritime Link and lesser availability of Recapture Energy creates a situation where the Expected Supply Scenario may not result in reduced customer billings in either 2018 and/or 2019 as compared to the Revised Deferral Account Scenario? If so, please explain.

A. Pursuant to the updated revision of Requests for Information from Newfoundland Power Inc., Hydro believes that this request for information intends to refer to NP-NLH-286 and NP-NLH-287, and responds accordingly.

Hydro's forecast off-island power purchases, both over the Labrador-Island Link and the Maritime Link, are expected to result in savings when compared to the cost of fuel consumed at the Holyrood Thermal Generating Station. Reductions in the availability of Recapture Energy to serve Island customers as contemplated in Hydro's responses to NP-NLH 286 and NP-NLH-287 will materially reduce the amount of savings forecast in the Expected Supply Scenario.

Should actual savings from off-island power purchases be less than forecast in the Expected Supply Scenario, a balance owing from customers would accrue in the Revised Energy Supply Cost Variance Deferral Account, and would result in higher

rates for customers during a future disposition period. This increase in rates would likely occur during the period when higher customer rates are being implemented to recover the cost of the Muskrat Falls Project, further compounding the required rate increases to customers on the Island Interconnected System.