

1 Q. **Additional Cost of Service Information filed March 22, 2018**

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3 Page 13, Table 9. What rate mitigation initiatives are available to be implemented

4 prior to the adjustment in rates required for Muskrat Falls if the Expected Supply

5 Scenario, which indicates a rate decrease for 2019, is approved by the Board?

6 Provide details of such potential initiatives.

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9 A. Under the Expected Supply Scenario, one option for rate mitigation would be for

10 the Board to approve customer base rates for implementation in 2019 reflecting full

11 recovery of 2018 Test Year costs (in addition to recovery of 2018 revenue

12 deficiency) and set aside the difference between the 2019 forecast base rate

13 revenues and the 2019 Test Year revenue requirement (reflecting the Expected

14 Supply Scenario) in a deferral account to mitigate future rate increases.

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16 Hydro estimates that following the approach described above would provide

17 savings of approximately \$27 million in 2019 for use in rate mitigation.¹ In preparing

18 this estimate, Hydro assumes that 2020 costs will be tested in its next General Rate

19 Application.

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21 CA-NLH-047 and IC-NLH-201 present rate mitigation options for the Board to

22 consider.

¹ In response to PUB-NLH-110, Hydro estimated that savings from off-island purchases will be approximately \$40 million in 2019. Under the option being presented in this response, approximately \$13 million of the savings are used to reduce the 2018 Test Year revenue requirement for each of 2018 and 2019 and the remaining \$27 million would be set aside in a deferral account.