

1 Q. **2018 Cost Deferral and Interim Rates Evidence - Revision 2, November 14, 2018**
2 Evidence, Schedule 1, page 15 of 81, lines 4-7 - Hydro is proposing to recover the
3 Deferred Supply Costs and the 2018 and 2019 revenue deficiencies over a 20-month
4 recovery period beginning with the effective date of the 2017 GRA rates which
5 Hydro now proposes be July 1, 2019. Has Hydro considered whether this 20 month
6 period is still appropriate given the delay in the date for implementation of new
7 rates?

8
9

10 A. Originally, the 20-month amortization period was meant to match the forecast time
11 frame between the implementation of final rates from the 2017 General Rate
12 Application ("2017 GRA") and the anticipated in-service of the Muskrat Falls Project,
13 which would have been from January 1, 2019 to September 1, 2020. At that time,
14 Hydro anticipated that new rates that incorporated the cost of energy purchased
15 from Muskrat Falls would be in place September 1, 2020.

16 Hydro's October 26, 2018 filing assumed final rates would be implemented on July
17 1, 2019. Based on the current schedule for completion of the 2017 GRA proceeding,
18 there is a greater probability that final rates will not be implemented until
19 September 1, 2019. The use of a 20-month amortization period in conjunction with
20 the implementation of final rates on either July 1 or September 1, 2019 would
21 result in the recovery period concluding on either March 1 or May 1, 2021.

22

23 Hydro notes that given the materiality of the deferred supply costs (approximately
24 \$65 million) and 2019 revenue deficiency to be recovered over the amortization
25 period, recovery of these costs over a shorter amortization period would materially
26 increase the required rate increase to customers on the Island interconnected

1 System at the time of 2017 GRA final rate implementation. Therefore, Hydro
2 believes it is still appropriate to use the 20-month amortization period consistent
3 with the 2017 GRA Settlement Agreement.