

1 Q. **Reference: Schedule 1: Evidence**

2 Page 6, lines 7-9 states that, as a result of the significant level of rate mitigation funding that will  
3 be required for many years, a formalized mechanism to incorporate rate mitigation into the  
4 regulatory process for setting customer rates is appropriate and that this mechanism could be  
5 done through a billing credit or the use of the deferral account. Please confirm if Hydro's  
6 proposal to include the rate mitigation funding as a component of the proposed Supply Cost  
7 Variance Deferral Account is an interim measure until Hydro has obtained more certainty of the  
8 details and timing of province's rate mitigation plan.

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11 A. From an application perspective, Newfoundland and Labrador Hydro ("Hydro") is proposing the  
12 Supply Cost Variance Deferral Account be approved on a "final" and not an "interim" basis.  
13 However, the approval of the proposed deferral account will serve as a temporary measure to  
14 deal with the transition to incorporating Muskrat Falls Project ("Project") costs into customer  
15 rates. The proposed Supply Cost Variance Deferral Account will enable rate mitigation funding  
16 and/or rate changes implemented to recover Project costs to be credited to offset the Project  
17 charges recorded in the deferral account.

18 In its next general rate application ("GRA"), Hydro will provide evidence to incorporate Project  
19 costs and rate mitigation into customer rates and present additional evidence on a long-term  
20 approach (i.e., post-conclusion of Hydro's next GRA) to the Supply Cost Variance Deferral  
21 Account. The crediting to the Supply Cost Variance Deferral Account may be the preferred long-  
22 term solution in the management of rate mitigation funding. However, as suggested in the  
23 question, Hydro is awaiting more details on the rate mitigation plan prior to finalizing its long-  
24 term proposal.

25 Hydro proposes to file a future application with the Board of Commissioners of Public Utilities,  
26 subsequent to the next GRA Order, to deal with allocation and recovery of the balance in the  
27 Supply Cost Variance Deferral Account that accumulates prior to the conclusion of the next GRA.

1           This approach will enable Hydro to be better informed on customer rate impacts in developing a  
2           disposition plan for the balance in the deferral account. It also enables Hydro to consider the  
3           next GRA Order (i.e., with respect to the long-term approach to the deferral account) in  
4           developing its proposals for allocation and recovery of the balance that accumulated prior to the  
5           conclusion of the GRA.