

1 Q. **Reference: Interim Rates Application, Schedule 1 – Evidence, Revision 1**

2 On page 12 lines 11 to 16 Hydro indicates that for the purposes of preparing
3 customer impacts shown in Table 3 the entire amount of the deferred supply costs
4 would be mitigated through use of the Off-Island Purchases Deferral Account. On
5 page 2 of the cover letter to the Board for the 2017 GRA Hydro states with regard
6 to the Off-Island Purchases Deferral Account *“This proposal will set aside any
7 potential savings from off-island purchases to mitigate future rates increases **after**
8 **the full commissioning of the Muskrat Falls Project”** (emphasis added). Please
9 reconcile these two statements and clarify the purpose of Hydro’s proposed Off-
10 Island Purchases Deferral Account.*

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13 A. The purpose of the proposed Off-Island Purchases Deferral Account is to isolate the
14 net savings from off-island purchases to enable the Board to use these funds in the
15 management of customer rate changes. For additional detail, please refer to
16 Chapter 6 of Hydro’s 2017 General Rate Application (GRA) evidence. The use of
17 savings from off-island purchases needs to consider the forecast customer impacts
18 in both the short-term and the long-term. As noted on page 6.4 of Hydro’s 2017
19 GRA evidence:

20 *Upon conclusion of this GRA, the Board will determine whether the*
21 *savings from off-island power purchases are: (i) used to minimize*
22 *electricity rates during the Muskrat Falls Project pre-commissioning*
23 *period; (ii) set aside for future use to help mitigate the impact of*
24 *post-commissioning Muskrat Falls Project costs on customer rates;*
25 *or (iii) some combination of providing rate mitigation during both*
26 *the Muskrat Falls pre-commissioning period and the Muskrat Falls*
27 *post-commissioning period.*

1 Hydro's statement on page 12 is consistent with "*... some combination of providing*
2 *rate mitigation during both the Muskrat Falls pre-commissioning period and the*
3 *Muskrat Falls post-commissioning period.*"