

1 Q. **Reference: CA-NLH-012 c)**

2 It is stated

3 it is possible that increased operation of the Holyrood Thermal Generating
4 Station will be required to meet Island capacity requirements while delivering
5 capacity to Nova Scotia. It is noted that any incremental fuel costs incurred due
6 to deliveries to Nova Scotia prior to the commissioning of the LIL are paid by
7 Nalcor Energy in accordance with an indemnity agreement with Hydro.

8 **a)** Does Nalcor fund such incremental costs by taking a lower return on equity? If not, from
9 what source does this funding come?

10 **b)** If the same situation arose after commissioning of the LIL then where would the funding
11 come from?

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14 A. **a)** No, incremental costs are not funded by lowering return on equity. Nalcor Energy (“Nalcor”)
15 funded the incremental fuel costs incurred due to deliveries to Nova Scotia prior to the
16 commissioning of the Labrador-Island Link (“LIL”) with internally generated cash.

17 **b)** The indemnity agreement with Nalcor is intended to mitigate impacts of delivering the Nova
18 Scotia Block earlier than required by the agreements executed in 2013, including the
19 Muskrat Falls Power Purchase Agreement. Commissioning of the LIL would trigger Nova
20 Scotia Block obligations within these agreements; as such, the indemnity provided by Nalcor
21 will cease to be in effect at that time.