

1 Q. **Reference: CA-NLH-035**

2 It is stated “The uncertainty with respect to the final rate mitigation plan to deal with the  
3 recovery of Muskrat Falls Project costs is contributing to customer uncertainty with respect to  
4 future customer rates.”

5 a) Has Hydro made its shareholder aware of this? If so, what was its response?

6 b) When does Hydro expect to receive information on rate mitigation from government?

7 c) How will Hydro proceed if such information on rate mitigation is not received from  
8 government, or if information is received that there will be no rate mitigation?

9 d) It is understood that Hydro will not be filing a GRA until 9 months after there is clarity on the  
10 government’s rate mitigation plan. Does the government first need to know how much it  
11 will cost to fund a rate mitigation plan before committing to a plan? For example, will the  
12 government require Hydro to first file a cost of service study identifying the cost of supply  
13 before it can gain the necessary approvals to fund a rate mitigation plan? Otherwise, is  
14 Hydro not effectively asking the government for a blank check?

15 e) Does Hydro expect that its recently released Reliability and Resource Adequacy Study –  
16 2022 Update maintaining Holyrood and Hardwoods facilities in service until 2030 and adding  
17 new facilities such as Bay d’Espoir Unit 8 will significantly increase the cost of a rate  
18 mitigation plan?

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21 A. a) Newfoundland and Labrador Hydro (“Hydro”) has been in discussions with the Government  
22 of Newfoundland and Labrador (“Government”) on rate mitigation implementation.  
23 Government is aware there is uncertainty on the timing and amount of future rate increases  
24 associated with the Muskrat Falls Project, including the approach to the disposition of the  
25 balance in the Supply Cost Variance Deferral Account. The development of the rate  
26 mitigation plan is ongoing. Information on the rate mitigation plan is required to enable  
27 Hydro to file its next general rate application.

- 1           **b)** Please refer to part a) of this response.
- 2           **c)** The completion of the \$1 billion federal loan guarantee and capital restructuring for the  
3           Muskrat Falls Project agreements was announced by Hydro on March 31, 2022.<sup>1</sup> The  
4           finalization of Government’s rate mitigation plan is ongoing. The outstanding actions related  
5           to the finalization of the details of the rate mitigation plan include confirmation of the  
6           mechanism by which rate mitigation will be provided to customers and the annual amounts  
7           to be made available to Hydro, as well as the timing of the provision of funding to Hydro.
- 8           **d)** In its discussions with Government, Hydro can provide estimates of customer rates  
9           reflecting different levels of rate mitigation funding that could be made available.
- 10          **e)** The impact of additional supply costs (beyond the costs associated with the Muskrat Falls  
11          Project) on the rate mitigation funding to be provided by Government will be dependent  
12          upon the finalized details of the rate mitigation plan, which is not yet available.

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<sup>1</sup> “Financial Restructuring Agreement for the Third Federal Loan Guarantee and LIL Investment Finalized,” Newfoundland and Labrador Hydro, March 31, 2022, <<https://nlhydro.com/financial-restructuring-agreement-for-third-federal-loan-guarantee-and-lil-investment-finalized/>>.