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# Hydro Joins the Province to Announce Final Rate Mitigation Plan

On May 16, Hydro President and CEO Jennifer Williams joined Minister Parsons as the Government of Newfoundland and Labrador announced the final details of the Rate Mitigation Plan. Together, with actions taken to date, this plan limits rate increases related to the Muskrat Falls Project (Project) to 2.25% from now through 2030.

We know our customers have been concerned about electricity rates, and that is why we've been working closely with the Province for several years to ensure rates wouldn't double when the Project was finished. Today's plan will benefit all island customers and we anticipate that our customers will continue to pay the lowest electricity rate in Atlantic Canada on July 1.

Read: GNL News Release



## Your Questions Answered.

### What is Rate Mitigation?

The Muskrat Falls Plant and Labrador Transmission Assets were commissioned in November 2021 and the Labrador Island Link was commissioned in April 2023. Rate Mitigation is designed to allow Hydro to recover a small portion of the costs related to the Project assets from customers while providing certainty for customers, and preventing rates from doubling.

## What does this mean for customers?

We recognize that many people are facing challenges and electricity customers continue to be concerned about electricity rates. All island customers will receive this rate mitigation benefit. For most customers, this means Hydro's annual rate increase is now limited to 2.25% up to and including 2030. Without rate mitigation, rates would have almost doubled (estimated to be 23.6 cents per kWh in 2021).

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**Example:** If your equal payment plan is \$300 a month, you'll pay almost \$7 more after July 1, 2024 towards recovering costs related to the Muskrat Falls project. Without action from the Provincial Government and Hydro, this would have been an extra \$200 a month. Over the course of the year, this is approximately \$2,300 less than had the rate not been mitigated.

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## What does the Rate Mitigation Plan mean for Hydro?

Since Commissioning of the Project assets, Hydro has been responsible for paying the cost of these Lower Churchill Project assets—approximately \$740

million each year. While a small amount (\$44M in each of 2022 and 2023) has been collected from customers, the vast majority of costs have been accumulating in a Deferral Account.

The 2022 balance in this account was paid by a \$190 million grant from GNL. The 2023 balance of \$271 million will be paid down by Hydro over the next three years as part of the Rate Mitigation Plan.

Rate Mitigation allows Hydro to recover some of the costs related to the Lower Churchill Project from customers. Rate Mitigation processes follow normal regulatory processes with the Public Utilities Board, while providing certainty and transparency on rate structure.

### **Who is paying for Muskrat Falls, and how much?**

The exact sources and amounts of funding may vary each year, but essentially the difference will be funded by Hydro.

Beyond the amount recovered from customers and from Federal Funding Sources, between now and 2030, Hydro will invest more than \$2 billion to mitigate customer rates.

The portion customers pay in 2024 will be less than 10% of Hydro's annual cost of Muskrat Falls.

### **Are we getting electricity from Muskrat Falls? Is the Labrador Island Link working?**

We have been seeing great value from our new assets, which have significantly contributed to 92% of our electricity generated from renewable energy sources in 2023—well on our way to being a net zero electricity company by 2035.

In 2023, we estimate the Labrador Island Link had an availability of 96%, better than expected for this early in its operation. Muskrat Falls Plant performance was also better than the Canadian average.

### **How does this rate compare to other provinces?**

The average residential customer in the Maritime provinces is forecasted to jump

to 18.0 c/kwh in 2024, from 16.6 c/kwh in 2023. The average rate for customers paying the Island Interconnected rate is currently 14.3 c/kwh. After the July adjustment, we anticipate our customers will still pay the lowest rate in Atlantic Canada.

## **How are Island rates determined?**

Determining rates for electricity is a complex process. Newfoundland and Labrador Hydro produces the electricity needed to serve all customers in the province. NL Hydro serves 24,000 customers on the island, one of which is Newfoundland Power. Newfoundland Power in turn distributes the power it receives from NL Hydro to an additional 275,000 customers on the island.

First, the cost to a utility to provide electricity to customers is determined through a very comprehensive General Rate Application Process. This process has begun for Newfoundland Power and Hydro's process will begin next year. That process sets the foundation for determining the rates for all customer classes, residential, commercial and industrial.

The majority of residents pay Island Interconnected rates. Each year, we apply to the Public Utilities Board (the regulator) to update the rate we charge to Newfoundland Power. That rate will now be set to ensure that Hydro's impact on customer rates is limited to 2.25%. Newfoundland Power then applies for its rate adjustment, which will continue to vary. If approved by the regulator, that becomes the rate ALL residential customers on the Island. Hydro then files its rate schedule for all customer classes to the regulator for approval. Full rate schedules are updated and posted the first week of July each year.

There are separate applications for Island and Labrador Industrial customer rates. Rates for Labrador Interconnected Customers are only adjusted during a General Rate Application. Customers under the Northern Strategic Plan will continue to receive subsidized rates. We will continue to work with the regulator to implement rates and review our cost to provide service.

## **What happens after 2030?**

While this plan provides certainty through 2030, together with Government, Hydro is committed to continued rate mitigation for our customers. What that

might look beyond 2030 will be reviewed again into the future

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