

1 Q. **Reference: RRAS, 2022 Update, Vol. I, page 8 (32 pdf)**

2 Citation:

3 The mitigated rate that formed the basis of the rate included in the load
4 forecast is the target mitigated rate that was announced publicly by the
5 Government of Newfoundland and Labrador.²⁸ The final rate mitigation plan is
6 required for there to be certainty on the actual mitigated rate.

7 a) Please specify the target mitigated rate in relation to the Muskrat Falls Project that was used
8 in the resource planning process.

9 b) Please provide references to all rate mitigation measures undertaken to date, or for which
10 commitments have been made.

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13 A. a) Please refer to Newfoundland and Labrador Hydro's ("Hydro") response to PUB-NLH-236 of
14 this proceeding.

15 b) On July 28, 2021, an Agreement in Principle on the financial restructuring of the Lower
16 Churchill Projects was announced. The restructuring reduces or otherwise offsets financing
17 costs that would be recovered under the revenue agreements, upon and after
18 commissioning.¹

19 Based on the Agreement in Principal, several commercial agreements have been executed,
20 the most significant of which are as follows:

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- 22 ● On March 25, 2022, the Third Amended and Restated Muskrat/Labrador Transmission
Assets Project Finance Agreement was executed enabling, among other things:
 - 23 ○ An additional \$1.0 billion federal loan guarantee. These loan proceeds, which were
24 received in March 2022, are to be used for rate mitigation and will be available upon
25 commissioning of the Labrador-Island Link ("LIL").

¹ "Agreement in Principle on the financial restructuring of the Lower Churchill Projects," July 28, 2021, <<https://www.gov.nl.ca/exec/ias/files/Agreement-in-Principle-on-the-Financial-Restructuring-of-the-Lower-Churchill-Projects.pdf>>.

- 1 o Removal of the requirement to make sinking fund payments on Tranche A debt.
- 2 o Removal of the obligation to pay a guarantee fee on the FLG2² debt proceeds
- 3 effective from June of 2021 onward.

- 4 • On March 25, 2022, the Muskrat Falls Corporation underwent a reorganization of its
- 5 capital resulting in the issuance of \$1,847,723,718 Class A Preferred Shares
- 6 (representing cost overruns on the Muskrat Falls Hydroelectric Generating Facility). Such
- 7 Class A Preferred shares are subject to a fixed cumulative dividend rate per annum of
- 8 3%. The effect of such reorganization is the reduction of the internal rate of return of
- 9 8.4% contemplated in the Muskrat Falls Power Purchase Agreement to a 3% fixed
- 10 cumulative dividend contemplated by the Class A Preferred Shares.

- 11 • On March 25, 2022, the Labrador Transmission Corporation underwent a reorganization
- 12 of its capital resulting in the issuance of \$108,522,923 Class A Preferred Shares
- 13 (representing cost overruns on the Labrador Transmission Asset). Such Class A Preferred
- 14 shares are subject to a fixed cumulative dividend rate per annum of 3%. The effect of
- 15 such reorganization is the reduction of the internal rate of return of 8.4% contemplated
- 16 in the Generator Interconnection Agreement to a 3% fixed cumulative dividend
- 17 contemplated by the Class A Preferred Shares.

- 18 • On December 22, 2022, the Unsecured Convertible Debenture between His Majesty in
- 19 Right of Canada and the LIL (2021) Limited Partnership was executed enabling access to
- 20 \$1.0 billion in the form of a convertible debenture. These funds are to be used for rate
- 21 mitigation and will be available in accordance with the terms of the convertible
- 22 debenture upon the commissioning of the LIL.

23 As well, Hydro is meeting on an ongoing basis regarding the development and
24 implementation of the rate mitigation plan. The details of the rate mitigation plan include
25 Hydro's projected annual rate changes to customers, along with customer impacts of
26 increasing the Project Cost Recovery Rider included in the wholesale rate that is used in
27 billing Newfoundland Power Inc.

² Federal loan guarantee entered into on May 10, 2017 ("FLG2").