

1 Q. Hydro states on page 4, paragraph 16 of the Application:

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3 It remains probable that Hydro will incur costs in 2021 as a result of the
4 commissioning of the Muskrat Falls Project. Therefore, although Hydro proposes
5 to delay its GRA filing, Hydro is proposing to continue to require 2021 as a test
6 year for use in determining the 2021 costs to be ultimately recovered from
7 customers.
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9 What costs are expected in 2021 as a result of the commissioning of the Muskrat Falls Project?
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12 A. In Hydro's monthly status update provided to the Board of Commissioners of Public Utilities on
13 February 25, 2020,¹ it was reported that the Labrador-Island Link and all four turbine and
14 generator units at the Muskrat Falls Plant were expected to be in commercial operation by the
15 end of 2020. However due to the COVID-19 pandemic, construction work at the Muskrat Falls
16 Project sites currently remains on hold. The Muskrat Falls Project team is developing a site
17 restart plan and while Nalcor Energy is currently unable to provide a reliable forecast date for
18 key milestones due to the ongoing COVID-19 pandemic,² it is expected that full commissioning
19 of the Muskrat Falls Project will now occur in 2021. Therefore, payments are expected to be
20 required in that year.

21 Under the existing Muskrat Falls Power Purchase Agreement ("PPA"), Hydro has the obligation
22 to purchase and pay for energy and capacity upon commissioning of the Muskrat Falls Plant and
23 the Labrador Transmission Assets, the latter of which has already been commissioned. Hydro
24 notes that the forecast monthly costs under the existing Muskrat Falls PPA are currently
25 approximately \$29 million per month.³

¹ "The Liberty Consulting Group Eighth Quarterly Monitoring Report on the Integration of Power Supply Facilities to the Island Interconnected System – Monthly Update", Newfoundland and Labrador Hydro, February 25, 2020.

² "The Liberty Consulting Group Eighth Quarterly Monitoring Report on the Integration of Power Supply Facilities to the Island Interconnected System – Monthly Update", Newfoundland and Labrador Hydro, April 27, 2020

³ While payment details for the revised Muskrat Falls PPA are not yet available, the transition from an internal rate of return model to a cost of service model (as is being negotiated) would normally increase the revenue requirement under the Muskrat Falls PPA in the earlier years of the contract.

1 Additionally, upon commissioning of the Labrador-Island Link component of the Project, also
2 now expected in 2021, Hydro has the obligation to make Transmission Funding Agreement
3 payments which are currently projected to be approximately \$31 million per month.