

1 Q. **Reference: Volume I, Section 4.2, Issue Topic: Operational Plans for the Muskrat Falls Assets**

2 As of the time of Hydro's last GRA filing in 2017, please provide a table outlining the energy
3 anticipated to be received from the Muskrat Falls PPA and the anticipated cost of fuel displaced
4 at Holyrood from the first year of the anticipated commissioning period to four years following
5 the anticipated year of commissioning. Please mark each year as "commissioning period" or
6 "commissioned".

7
8
9 A. At the time of Newfoundland and Labrador Hydro's ("Hydro") 2017 General Rate Application
10 ("GRA"), it was anticipated that the Labrador-Island Link ("LIL") would be able to deliver energy
11 to the Island prior to energy being available from Muskrat Falls. Energy over the LIL would come
12 from Recapture Energy. The assumption was that the Muskrat Falls Project would be fully
13 commissioned September 1, 2020, and Holyrood Thermal Generating Station ("Holyrood TGS")
14 would be phased out as the Muskrat Falls Project was commissioned.¹

15 At the time of submission of the 2017 GRA, Holyrood TGS was assumed to be transitioning to
16 post-steam generation on March 31, 2021. As noted within the Settlement Agreement:

17 With the completion of the Muskrat Falls Project, the fuel cost incurred for
18 generating electricity at Holyrood Thermal Generating Station will be
19 eliminated. Relative to the forecast 2019 Test Year cost of service study,
20 Holyrood fuel cost savings will reduce the average unit cost of serving Island
21 Interconnected Customers by approximately 1.2¢ per kWh.² There will also be
22 reductions in the operating and maintenance costs at Holyrood and the fixed
23 cost resulting from the retirement of the generation assets at Holyrood. These
24 costs comprise approximately \$60 million in the 2019 Test Year cost of service
25 study. If the full \$60 million was eliminated the system average unit cost would

¹"Supplemental Evidence – Customer Impacts Reflecting 2017 GRA Settlement Agreements," Newfoundland and Labrador Hydro, July 20, 2018, <http://www.pub.nf.ca/applications/2017/NLH2017GRA/applications/From%20NLH%20-%20Supplemental%20Evidence%20-%20Customer%20Impacts%20Reflecting%202017%20GRA%20Settlement%20Agreements%20-%202018-07-20.PDF>.

² \$82.5 million divided by approximately 7,000 GWh (i.e., 7,000 GWh is approximately the total sales to Island Interconnected System in 2019 Test Year).

decrease by approximately 0.9¢ per kWh.³ However, Hydro has not yet completed its forecast costs related to Holyrood beyond 2021 as the facility is expected to be maintained to provide synchronous condenser requirements. For illustration purposes, Hydro has assumed an overall reduction in Holyrood costs of 1.8¢ per kWh for 2021.⁴ Holyrood is expected to be maintained fully operational for all of 2020; therefore, Hydro expects cost savings for 2020 to reflect only reduced fuel consumption.⁵

In Board of Commissioners of Public Utilities (“Board”) Order No. P.U. 16(2019), the Board directed Hydro to use its most reliable forecast of off-island purchases for the 2018 and 2019 Test Years and required Hydro to update the off-Island purchase forecast in its compliance application.⁶ As presented within the 2017 GRA Compliance Application, Table 1 and Table 2 outline the change in 2018 and 2019 Test Year Supply Costs as a result of the change to off-Island purchases.⁷ Hydro did not update its forecast for fuel savings at Holyrood beyond the 2019 Test Year at that time.

Table 1: Comparison of 2019 Test Year Supply from Off-Island Purchases (GWh)⁸

	October 2018 Filing	2017 GRA Compliance Application	Difference
Recapture Energy ⁹	667	341	(326)
Other Off-Island Purchases	49	141	92
Total	716	482	(234)

³ \$60.0 million divided by approximately 7,000 GWh (i.e., 7,000 GWh is approximately the total sales to Island Interconnected System in the 2019 Test Year).

⁴ For illustrative purposes, the 1.8 cents/kWh chosen by Hydro reflects the projected Holyrood fuel savings (1.2 cents/kWh) and approximately 67% of the expected reductions in the operating and maintenance costs at Holyrood and the fixed cost resulting from the retirement of the generation assets at Holyrood (approximately 0.6 cents/kWh).

⁵ *Supra*, f.n. 1, sec. 5.2.3, pp. 17/17–18/10.

⁶ Board Order No. P.U. 16(2019), p. 17/29–30.

⁷ For further details, please refer to “2017 General Rate Application Compliance Application,” Newfoundland and Labrador Hydro, July 11, 2019, exh. 3.

⁸ Assumed delivery to the Island Interconnected System at Bottom Brook for purchases over the Maritime Link and at Soldiers Pond for purchases over the LIL.

⁹ Hydro has a contract in place with Churchill Falls (Labrador) Corporation to purchase Recapture Energy at a cost of 0.2 cents per kWh.

Table 2: Cost of 2018 Test Year Supply from Off-Island Purchases (\$000)

	October 2018 Filing	2017 GRA Compliance Application	Difference
Recapture Energy	391 ¹⁰	330	(61)
Other Off-Island Purchases	7,316	5,040	(2,276)
Total	7,707	5,370	(2,337)

¹⁰ In the October 2018 Filing, the projected cost of Recapture Energy was shown as \$219,000, which was an understatement of \$172,000. The understatement was addressed in Hydro's response to NP-NLH-343 of Hydro's 2017 GRA. For the purposes of providing an accurate comparison between the October 2018 Filing and the 2017 GRA Compliance Application, Hydro has adjusted the value shown in the October 2018 Filing column to reflect the correct number, which is \$391,000.