Q. (Reference 2017 GRA Volume I, page 4.1) It is stated (lines 3 to 7) "*In accordance with section 80 of the Public Utilities Act and section 3(a)(iii) of the Electrical Power Control Act, 1994, rates charged by Newfoundland and Labrador Hydro (Hydro) should provide the Company with the opportunity to earn a fair, just, and reasonable rate of return. Sound financial performance is necessary to ensure Hydro's ability to deliver least cost, reliable electrical service to its customers*." Is there anything in the Public Utilities Act and the Electrical Power Control Act, 1994 that allows Hydro to file for a revenue requirement that it claims will over-earn relative to its revenue needs, or to file Test Years with costs that it claims are significantly overstated?

A. Costs collected from customers that are known in advance to be held in a deferral account are not earnings of the utility and do not constitute earnings; rather they are encumbered revenues that cannot be retained by the company unless the disposition of those encumbered revenues is specifically ordered by the Board. The proposed application of rate making principles and rate smoothing mechanisms, here using a deferral account, is within the normal range of options for a regulator to consider when faced with costs and rates that would otherwise be volatile over a span of just a few years.