

1 Q. What guidance can Hydro provide to the Board on how to allocate the proceeds of
2 the proposed Off-Island Purchases Deferral Account to customer classes? To ensure
3 fairness, would Hydro go back and conduct cost of service studies to determine the
4 actual cost of supply to each customer class in 2018 and 2019, and allocate the
5 proceeds of the Off-Island Purchases Deferral Account accordingly? If so, might this
6 be deemed retroactive ratemaking? Does Hydro support retroactive ratemaking,
7 and has the Board ever approved retroactive ratemaking in this Province?

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10 A. Future customers will pay for the Muskrat Falls Project. Therefore, Hydro considers
11 it appropriate that the net savings from the use of the Labrador-Island Link and the
12 Labrador Transmission Assets during the pre-commissioning period be provided to
13 future customers to mitigate the required cost increases that will result from the
14 Muskrat Falls Project. As a result, Hydro sees no merit in conducting historical cost
15 of service studies. The Board has broad power with respect to deferral accounts; in
16 this case, to determine a reasonable approach to allocate the net savings among
17 customer classes.