

1 Q. LAB-NLH-72: Re: CA-NLH-023

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3 **Citation:**

4 In appropriate circumstances deferral accounts are sound regulatory tools to
5 address earnings volatility associated with certain costs outside of the utility's
6 control.

7 a) Which costs associated with the Off-Island Purchases Deferral Account are
8 outside of Hydro's control?

9 b) Does Hydro have any contingency plans for the Off-Island Purchases Deferral
10 Account should the Government cancel the Muskrat Falls Project? Are any such
11 plans part of the present Application?

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14 A. a) The operating and maintenance costs and schedule of the Labrador-Island Link
15 and the Labrador Transmission Assets are beyond Hydro's control. In addition,
16 the price of off-island purchases from other jurisdictions will be set by market
17 forces; the available quantity will be determined by transmission availability and
18 constraints in other jurisdictions.

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20 b) The Test Year revenue requirements in Hydro's 2017 GRA filing do not reflect
21 the costs of the Muskrat Falls Project. If all components of the Muskrat Falls
22 Project were to be cancelled at this time, there would be no off-island power
23 purchases available to Hydro. Therefore, the balance in the proposed account
24 would be zero. There would also be no change in Hydro's proposed Test Year
25 revenue requirements for 2018 and 2019.