

1 Q. Hydro states that the capital funds expended on this project will not be included in regulated  
2 rate base or recovered from customers. Please explain how the capital funds will be treated and  
3 recorded.

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6 A. Newfoundland and Labrador Hydro (“Hydro”) will exclude the capital asset and corresponding  
7 contributions from rate base via the “average net assets excluded from rate base.”<sup>1</sup> In addition,  
8 Hydro will exclude the depreciation and corresponding contribution in aid of construction  
9 amortization from revenue requirement in the “cost of service exclusions”<sup>2</sup> adjustment. This  
10 process will ensure that capital costs associated with the project will not be recovered from  
11 customers and is also consistent with Hydro’s approach to exclude revenue requirement  
12 impacts for assets that were not approved for recovery by the Board of Commissioners of Public  
13 Utilities.

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<sup>1</sup> “2017 General Rate Application,” Newfoundland and Labrador Hydro, vol. 1, chap. 4, sch. 4 - II, p. 5 of 9/11.

<sup>2</sup> “2017 General Rate Application,” Newfoundland and Labrador Hydro, vol. 1, chap. 4, sch. I, p. 1 of 1.