

1 Q. **Off Island Purchases**

2 Page 6.2, lines 19-24 – When does Hydro anticipate that a decision will be made on  
3 reimbursement to Nalcor of depreciation and interest expense on the LIL and LTA  
4 assets and why is Hydro proposing a separate account for these expenses from the  
5 Off-Island Purchases deferral account which Hydro proposes will include other  
6 expenses associated with off-island purchases?

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9 A. Hydro does not have an estimated decision date from Nalcor regarding the  
10 depreciation and interest expense on the Labrador-Island Link (LIL) and Labrador  
11 Transmission Assets (LTA).

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13 Hydro's proposal for the Off-Island Purchases Deferral Account reflects the deferral  
14 of cumulative net savings from accessing off-island power purchase prior to full  
15 commissioning of Muskrat Falls to help mitigate the future rate impacts of recovery  
16 of Muskrat Falls costs. It is anticipated that the savings in the Off-Island Purchases  
17 Deferral Account will mitigate customer rate impacts in the initial period after  
18 Muskrat Falls commissioning.

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20 Depreciation and interest expenses on the LIL and LTA assets represent expenses  
21 which normally would be matched with the benefit provided by these assets over  
22 their full useful lives. As such, a separate deferral account for those expenses could  
23 allow a longer amortization period than what is proposed for the Off-Island  
24 Purchases Deferral Account.