

- 1 Q. Schedule 2, Order-in-Council OC2013-343 sets out that the Muskrat Falls costs shall be included
2 as costs, expenses or allowances, without disallowance, reduction or alteration of those
3 amounts, in Newfoundland and Labrador Hydro’s costs of service calculation in any rate
4 application and rate setting process, so that those costs, expenses, or allowances shall be
5 recovered in full by Newfoundland and Labrador Hydro in Island Interconnected rates charged
6 to the appropriate classes of ratepayers:
- 7 a) Does the Order-in-Council provide for the recovery of Muskrat Falls costs outside of a cost
8 of service rate calculation in any rate application and rate setting process?
- 9 b) Does this application propose that the costs be included in Hydro’s cost of service
10 calculation as set out in the Order-in-Council? If not, is the proposal consistent with the
11 provisions of the Order-in-Council?
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- 14 A. a) Section 80 of the *Public Utilities Act* allows a public utility to annually earn a just and
15 reasonable return as determined by the Board of Commissioners of Public Utilities
16 (“Board”),¹ in addition to reasonable and prudent operating expenses that the Board may
17 allow. In cost of service regulation, the Board would determine the revenue requirement—
18 i.e., the cost of service—that reflects the amount that must be collected in rates for the
19 utility to recover its costs and earn a reasonable return. Newfoundland and Labrador
20 Hydro’s (“Hydro”) interpretation of Order-in-Council OC2013-343, including the reference to
21 cost of service in its grammatical and ordinary sense, is that the costs associated with the
22 Muskrat Falls Project must be included in Hydro’s revenue requirement, must be recognized
23 as a cost to Hydro of providing service, and once being recognized as a cost of service and
24 included in the total of the costs Hydro incurred in providing service, can be recovered in full
25 by Hydro in any rate application or rate setting process..
- 26 b) The Order-in-Council does not stipulate a specific rate application or rate setting process,
27 i.e., the general rate application. In fact it clearly states “any” rate application or rate setting

¹ *Public Utilities Act*, RSNL 1990, c P-47, s 80.

1 process. Hydro views its application for Utility Rate Adjustments to be a rate setting process,
2 and its proposal is for the Board's approval of the Muskrat Falls Project costs stipulated
3 therein to be recognized as a cost of Hydro's service, with a portion of those costs to be
4 recovered through the Project Cost Recovery Rider. Hydro believes its proposals to be
5 consistent with the intent and wording of the Order-in-Council.