

1 Q. **Re: Non-Regulated Operations Report, Exhibit 7, p. 3**

2 NLH states that revenue and expenses associated with the diesel plant in
3 Natuashish are not included in determining NLH's regulated income.
4 Please describe how it was determined and who determined that these revenues
5 and expenses are not to be included in determining NLH's regulated income. Did
6 NLH seek permission of the Board of Commissioners of Public Utilities to not include
7 the diesel plant in Natuashish in determining its regulated income?

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10 A. Hydro does not own the assets associated with the electricity system in Natuashish,
11 and has no authority to bill consumers of that electricity. Hydro has an operating
12 arrangement with the MIFN, whereby it operates the diesel plant and distribution
13 system and bills MIFN for those operating services. Since costs and the associated
14 recoveries are non-regulated, they are removed from the calculation of Hydro's
15 regulated income; therefore, there was no requirement for Hydro to request
16 permission.