

September 21, 2016

The Board of Commissioners of Public Utilities
Prince Charles Building
120 Torbay Road, P.O. Box 21040
St. John's, NL A1A 5B2

Attention: Ms. Cheryl Blundon
Director Corporate Services & Board Secretary

Dear Ms. Blundon:

Re: Newfoundland and Labrador Hydro – 2013 General Rate Application
Prudence Review – Compliance Application – Comments on Grant Thornton's Report

Further to the Board's correspondence of September 12, 2016, below are Hydro's comments with respect to the above-noted Report.

Upon review of Grant Thornton's Financial Consultants Report on Hydro's Compliance Application - P.U. 13(2016) (the Report), Hydro would like to clarify the following. On page 2 of the Report, Grant Thornton indicated that with respect to the Sunnyside Terminal Equipment project that:

...Hydro has recorded a regulatory asset based on the 2014 test year loss on disposal of \$425,000 associated with the Sunnyside Terminal Equipment project. However, since the loss on disposal in the test year was offset with insurance proceeds, setting up the new regulatory asset has resulted in an overall reduction to the 2014 test year revenue requirement.

Correspondingly on page 9 of the Report, Grant Thornton has requested that:

...the Board clarify the treatment of the excess insurance proceeds within 2014 Test Year revenue requirement.

Hydro would like to clarify that the result of Hydro's current treatment of the insurance proceeds in the Compliance Filing reduces Hydro's 2014 revenue requirement, which is to the benefit of ratepayers. In the event that the Board disagrees with Hydro's interpretation of the Board's direction and Hydro's subsequent treatment of the insurance proceeds, Hydro's 2014 revenue requirement per the Compliance Filing will increase by \$425,000.

Should you have any questions, please feel free to contact the undersigned.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO


Tracey L. Pennell
Senior Counsel Regulatory

TPL/bs

cc: Gerard Hayes – Newfoundland Power
Paul Coxworthy – Stewart McKelvey Stirling Scales
Thomas J. O'Reilly, Q.C. - Cox & Palmer
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