Q. Does Hydro consider Board approval of a deferral account to also constitute Board approval for the balance of that deferral account to be included in rate base or is specific approval for a deferral account to be included in rate base required? Provide the basis for the response, including whether there are circumstances where Hydro would require specific Board approval for a deferral account to be included in rate base.

A. Newfoundland and Labrador Hydro ("Hydro") considers whether approval by the Board of Commissioners of Public Utilities ("Board") of a deferral account also constitutes approval to include the resulting balance in rate base to be contextual and dependent on the terms of the application, the definition of the deferral account, and the specifics of the Board's Order approving the requested deferral account.

In some cases, Hydro's initial application to establish a deferral account has expressly requested that the resulting balance be included in rate base. In other cases, the definition of the account may address whether the balance is to be included in rate base or may provide for interest or other carrying costs on the balance, in which case rate-base treatment may not be necessary or appropriate.

Where rate-base treatment is not clear from the original application or Board approval, Hydro may seek explicit Board approval for certainty in subsequent applications. Additionally, where an approved deferral account has not previously been included in rate base, but Hydro includes the balance in proposed rate base in a subsequent general rate application, Hydro considers that the inclusion of the balance in the proposed rate base constitutes a request for the Board to approve its inclusion in rate base as part of that proceeding. Accordingly, Hydro considers that the treatment of a deferral account is determined by the specific circumstances and regulatory framework applicable to the account.