

1 Q. In the Report “Muskrat Falls: A Misguided Project”, the Commissioner recommended that the
2 Government conduct a review of Performance Based Options because the power management
3 environment is about to experience big changes. If the Government legislated a Performance
4 Based regime, how would that effect a GRA Application and processes? Please elaborate.
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7 A. As part of the Commission of Inquiry Respecting the Muskrat Falls Project, Newfoundland and
8 Labrador Hydro (“Hydro”) filed a response to a Commission question which asked whether there
9 is a process to set rates that is more appropriate than a cost of service basis.¹ In that response,
10 Hydro explained that under the existing cost of service regulation, the role of the Board of
11 Commissioners of Public Utilities (“Board”) is to determine through the General Rate Application
12 (“GRA”) process a level of expenditures that is prudent for establishing customer rates which are
13 deemed to be reasonable and in compliance with Government of Newfoundland and Labrador
14 (“Government”) direction/legislative requirements.

15 Although the Commissioner recommended that Government conduct a review of Performance
16 Based Regulation (“PBR”) options, no such review has yet been completed. Without information
17 on the type of PBR framework that could be implemented in this jurisdiction, Hydro cannot
18 accurately determine specific effects on the GRA and process. However, as such a review would
19 likely require a separate regulatory process, in Hydro’s view any change of model will likely not
20 impact the upcoming GRA referenced in this Application.

¹ Commission of Inquiry Respecting the Muskrat Falls Project, Exhibit P-04553.