Q. With regard to the G. H. Mitchell evidence (page 13, lines 9 to 15):

a. Define the risks that Hydro faces relating to the CFB Goose Bay Revenue Credit.
b. When is Hydro proposing that NP's portion of the credit be removed from its base rates?
c. What impacts would this change have on NP and its customers?

A. a. There is both a price and volume risk related to the CFB Goose Bay revenue as follows:

i. CFB Goose Bay revenue is calculated with reference to the current fuel forecast for the 2007 test year. Should the actual fuel price vary significantly from the test year forecast, Hydro's regulated net income will be impacted if the current methodology is retained.

ii. Operations at CFB Goose Bay have been subject to considerable uncertainty in recent months, due to the loss of some tenants and changes in federal government plans for the base. Should operations at the base decrease significantly, the forecast load would not materialize, negatively impacting Hydro's regulated net income if the current methodology is retained.

b. Hydro's proposal is for the 2007 test year, effective with the Board's order.

c. NP and its customers would receive credit for actual sales, using actual fuel prices in the revenue calculation, rather than forecast values. While initially, NP and its customers would receive higher base rates for the 2007 test year, the credit for CFB Goose Bay revenue would be included as a refund in the RSP. Consistent with all other RSP components, financing charges would also be applied to the amount owed to NP.