

1 Q. **Reference: Application**

2 In the test years for its GRAs,

3 a) Does Hydro use a historic or forward test year?

4 b) Has Hydro ever used a historic test year in a GRA?

5 c) Under current legislation is Hydro allowed to base its cost of service study on a historic  
6 test year?

7 d) When developing a cost of service study for a forward test year, does Hydro forecast  
8 cost data for the test year, or simply make adjustments to data from a historic year?

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11 A. a) Newfoundland and Labrador Hydro (“Hydro”) generally uses forward-looking test years  
12 when filing its general rate applications (“GRA”) in accordance with the *Electrical Power*  
13 *Control Act, 1994* which requires that rates “. . . be established, wherever practicable, based  
14 on forecast costs for the supply of power for 1 or more years.”<sup>1</sup>

15 b) In the 2013 GRA, Hydro used 2013 as a test year for determining the 2013 revenue  
16 deficiency to be recovered through future customer rates. In this circumstance, the Board of  
17 Commissioners of Public Utilities tested Hydro’s 2013 revenue requirement. However, for  
18 establishing customer rates, Hydro used a forecast 2015 Test Year.

19 c) Please refer part a).

20 d) When developing a cost of service study for a forward test year, Hydro uses forecast data. In  
21 some instances, where costs are expected to follow a similar pattern to prior years, Hydro’s  
22 forecast may use historical data as a starting point and adjust for projected differences (e.g.,  
23 historical costs increased by an inflation factor).

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<sup>1</sup> *Electrical Power Control Act, 1994*, SNL 1994, c E-5.1, s 3(a)(ii).