



NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
120 Torbay Road, P.O. Box 21040, St. John's, Newfoundland and Labrador, Canada, A1A 5B2

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ELECTRONIC DISTRIBUTION

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Dear Sirs:

Re: Newfoundland and Labrador Hydro - Application for Approval of the Rate Stabilization Plan Rules and Refunds to Newfoundland Power and Hydro Rural Customers – Process

The Board has determined that it will proceed to consider the issues raised in the above application separately. In particular the Board will address Hydro's proposals in relation to the refund to its Rural customers in advance of the other issues in the application.

Hydro advised that, on January 30, 2014, it requested a ruling from CRA on the appropriate HST treatment of the proposed refund. Hydro expects that this ruling will be issued late in March 2014. Hydro states in SR-PUB-NLH-028:

"Given that the HST on the estimated \$117.5 million RSP Surplus refund is significant, Hydro submits that it will be necessary to receive CRA's ruling with respect to the HST implications of the proposed refund plan. Therefore, Hydro submits that it would be appropriate to amend the schedule to accommodate the timing of the CRA ruling."

Newfoundland Power states at page 10 of its evidence:

"The question of the availability of HST to apply to the proposed customer refund is a material issue which is not yet resolved. Hydro has filed a written request for a formal ruling from CRA, but has not yet received a reply."

Because of the lack of clarity in relation to the HST issue, which is significant and must be resolved before this matter can be concluded, the Board believes that all of the issues in this application cannot be finalized at this time. However, the Board believes it is appropriate to address Hydro's proposals in relation to the refund to its Rural customers in advance of the conclusion of the other issues. Resolution of this issue may bring clarity and focus to the remaining issues. The Board asks that the parties file their submissions on March 7, 2014, with Hydro's reply to follow on March 11, 2014, in relation to this issue. In particular, the Board asks that the submissions address Hydro's proposals that:

- i) the Newfoundland Power Rate Stabilization Plan Surplus refund be apportioned to Newfoundland Power and to Hydro's Rural customers whose rates are based on the rates charged by Newfoundland Power;
- ii) Hydro's Rural customers, whose rates are based on the rates charged by Newfoundland Power receive a similar refund to Newfoundland Power customers; and
- iii) the refund to Hydro's Rural customers be funded from a portion of the Newfoundland Power Rate Stabilization Plan surplus.

After the filing of submissions the Board will issue its Order in relation to this issue. The Board will establish the process for the remainder of the issues in the Application when Hydro confirms that it has received the ruling of the CRA.

If you have any questions, please do not hesitate to contact the Board's Legal Counsel, Ms. Jacqui Glynn by email, jgylnn@pub.nl.ca or telephone (709) 726-6781.

Yours truly,



Cheryl Blundon
Board Secretary

/cpj