

1 Q. Further to the response to SR-PUB-NLH-007, provide the answer to the question  
2 which had requested the implications for Labrador Interconnected Customers and  
3 Hydro of the "*Current Approach*" and the "*Proactive Approach*", in addition to  
4 Newfoundland Power and Rural Customers which are addressed in the response.

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7 A. Labrador Interconnected Customers would be indifferent as to whether the Current  
8 Approach or the Proactive Approach is used since RSP allocations and rate  
9 adjustments do not affect these customers.

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11 Under the Proactive Approach the entire RSP Surplus would be paid out to  
12 Newfoundland Power and Rural Customers and the RSP Surplus balance would thus  
13 be cleared from the RSP. There would thus be no effect to Hydro from any RSP  
14 balance outstanding. Under the Current Approach, the entire RSP Surplus would be  
15 paid out to Newfoundland Power customers and a refund of approximately \$9.7  
16 million would be paid to Rural Customers under Section 16 of the Rules and  
17 Regulations to be recovered from Newfoundland Power customers under the RSP  
18 rules Section B, 1.3 Rural Rate Alteration.

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20 Under the Current Approach, the RSP balance owing of approximately \$9.7 million  
21 from Newfoundland Power at the Weighted Average Cost of Capital estimated to be  
22 approximately 7.8% for the period the RSP balance is outstanding<sup>1</sup>. Since this rate  
23 is higher than Hydro's short-term borrowing rate of approximately 1%, Hydro would  
24 benefit from incremental interest earned on the outstanding balance. Hydro does  
25 not, however, recommend the Current Approach.

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<sup>1</sup> Full balance would remain outstanding until June 30, 2015 and subsequently be collected over the period July 1, 2015 to June 30, 2016.

- 1 Hydro recommends that the Proactive Approach be used for the Rural refund to
- 2 avoid the subsequent increase in rates for Newfoundland Power customers as
- 3 would occur in 2015 and is detailed on Page 16, Lines 6 to 13 of Hydro's Evidence.