

1 Q. (Finance Evidence page 3.6, lines 22 to 24)

2 Hydro is proposing an increase in its return on equity from 4.47% to 8.8%. Please
3 provide a list of all risks that Hydro proposes to take on in return for this increase in
4 ROE. Provide an additional list of all risks that Hydro is proposing to transfer to
5 customers in this GRA.

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8 A. As stated in Section 3.2.1 of Hydro's evidence "In 2009, under the authority of
9 Section 5.1 of the Electrical Power Control Act, 1994, the Government directed that:
10 In calculating the return on rate base, the same rate of return on equity would be
11 set for Hydro as was set for NP." In Hydro's view, the Board is required to
12 implement this directive in a manner which is most conducive to the attainment of
13 this objective. There is no other indication in the directive as to changes to be
14 made as to Hydro's business risks. The Board should consider the deferral and
15 recovery mechanism, and the business risk issues faced by Hydro, as if Hydro's
16 allowed rate of return had not changed from the last Order from the Board arising
17 from Hydro's GRA. Please refer also to the response to PUB-NLH-098.