

1 Q. In reply to NP-NLH-28, Hydro states that it is not proposing to make any
2 adjustments to the 2013 test year to ensure that the rates established for 2014
3 reflect the costs to provide service in 2014. Does a basis exist in regulatory or rate
4 making principle for not making an adjustment to the test year to ensure that rates
5 established for 2014 reflect the costs to provide service in 2014? Please explain.

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8 A. The basis for establishing rates in the Province is outlined in s. 3 (i) and (ii) of the
9 *Electrical Power Control Act, 1994* as amended which, in summary, states that rates
10 should be reasonable and not unjustly discriminatory and should be established,
11 wherever practicable, based on forecast costs for that supply of power for one or
12 more years. Notwithstanding the provisions of s. 3 of the Act, the Government
13 under s. 5 of the Act, may provide overriding direction to the Board with regard to
14 rate setting policies. Refer also to Hydro's response to CA-NLH-264 and NP-NLH-
15 257.