

1 Q. Please explain why Hydro proposed a 2014 test year in its November 10, 2014
2 amended general rate application while not proposing to change customer rates for
3 that year.

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6 A. Hydro's original General Rate Application was filed in July 2013 based upon a 2013
7 Test Year forecast and proposed that new customer rates become effective January
8 1, 2014. Hydro also filed two applications for interim rate relief in 2014 recognizing
9 that delayed rate implementation could deprive Hydro of the opportunity to earn a
10 just and reasonable return on rate base for 2014. At the time of Hydro filing its
11 Amended Application, the Board had denied Hydro's requests for revenue relief in
12 2014.¹ Newfoundland Power opposed approval of both interim rate applications.

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14 At the time of filing the Amended Application in November 2014, 2007 Test Year
15 base rates remained in effect and Hydro was forecasting a 2014 revenue deficiency
16 of \$45.9 million. As a result, the Amended Application proposed the Board test
17 costs for 2014 to determine 2014 revenue requirement to be recovered from
18 customers.

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20 The timing of filing of the Amended Application in November did not provide
21 adequate time for the Board to implement new customer rates to provide recovery
22 of 2014 revenue requirement. Hydro proposed the use of a portion of the RSP
23 credit balance to provide recovery of the 2014 Revenue Deficiency. In Order No.
24 P.U. 58(2014), the Board denied the proposed use of the RSP credit balance but
25 approved the creation of a deferral account in relation to the \$45.9 million forecast

¹ See Order No. P.U. 40(2013) and Order No. P.U. 39(2014).

- 1 revenue deficiency. Recovery of the deferral account balance is subject to a
- 2 subsequent determination by the Board.