

- 1 Q. In Order No. P.U. 19 (2003), the Board required Newfoundland Power Inc. to
2 observe the following principle in all inter-corporate transactions:
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4 *"A utility shall ensure that inter-corporate transactions will not disadvantage the*
5 *interests of ratepayers and furthermore that ratepayers and the utility will derive*
6 *some demonstrable benefit from such transactions."*
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8 Is it Mr. Rolph's opinion that this principle should apply to transactions
9 between Hydro and its affiliates?
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12 A. It is my opinion that the inter-affiliate transactions involving Hydro should be
13 governed by the arm's length principle. Since arm's length parties would not
14 generally enter into transactions that would be a disadvantage to their own interests,
15 Hydro and its affiliates should not enter into inter-affiliate transactions that would
16 be to each party's disadvantage. Acting in this manner, Hydro and its affiliates will
17 ensure that their inter-affiliate transactions will not disadvantage the interests of
18 ratepayers.
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20 Since an arm's length party would not pay for a service unless the service was in
21 some way beneficial to the recipient, Hydro and its affiliates should not enter into
22 inter-affiliate transactions for services that they would not have otherwise sought
23 from an independent enterprise, or would have performed on their own behalf in-
24 house. Acting in this manner, Hydro and its affiliates will ensure that their inter-
25 affiliate transactions will not disadvantage the interests of ratepayers.