

- 1 Q. [Brad Rolph Evidence, page 28]
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3 In considering the appropriateness of a mark-up on inter-affiliate
4 transactions, Mr. Rolph states:
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6 *"I considered whether the absence on a mark-up would create an inappropriate*
7 *subsidy. First, I considered the implications of Nalcor marking up the costs of*
8 *rendering certain corporate services to Hydro. Such a mark-up would increase*
9 *Hydro's revenue requirements and the rates that it charges its customers.*
10 *Accordingly, I believe that applying a mark-up to the costs of rendering corporate*
11 *services to Hydro would be inappropriate.*
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13 *I believe that the same answer applies to situations in which Hydro is providing*
14 *common or corporate services for the benefit of the public energy projects of its*
15 *affiliates. To do otherwise, would create a situation in which Hydro's revenue*
16 *requirement would decline at the expense of Nalcor, one of the public energy*
17 *projects of its other lines of business or the Province."*
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19 Please provide any examples of which Mr. Rolph is aware where a regulator
20 has determined that no mark-up was required because the nonregulated
21 affiliate to which services were provided was publicly owned.
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24 A. I am unaware of any examples where a regulator has determined that no mark-up
25 was required because the non-regulated affiliate to which services were provided
26 was publicly owned.