

1 Q. [Brad Rolph Evidence, page 31]
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3 Please explain in full Mr. Rolph's views as to the degree, if any, that the Board
4 should make distinctions between rate payers and tax payers in its regulatory
5 decision-making concerning Hydro. In the response, please explicitly address the
6 distinction that Mr. Rolph perceives between rate payers and tax payers.
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9 A. First, let me address the second part of the query regarding the distinction that I perceive
10 between ratepayers and taxpayers. From my perspective, concerning Newfoundland and
11 Labrador Hydro ("Hydro"), a ratepayer could be a residential or commercial customer in
12 rural Newfoundland and Labrador, a major industrial customer or Newfoundland Power
13 Inc. A taxpayer, on the other hand, could be a person or any form of business enterprise,
14 not limited to those that reside in the Province, that pays any form of tax including, but
15 not limited to, personal income tax, corporate income tax, and sales tax. Not all
16 ratepayers are taxpayers and vice-versa. They have different interests. For example,
17 ratepayers have not guaranteed Hydro's debt. The Government of Newfoundland and
18 Labrador has guaranteed Hydro's debt. Consequently, should Hydro default on its debt
19 obligations, the government is obligated to step in and pay Hydro's debt obligations using
20 revenues generated or provincial debt supported by taxpayers. As a result, taxpayers have
21 a vested interest in ensuring that ratepayers pay a rate that enables Hydro to meet its debt
22 obligations.
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24 Regarding the first part of the query, it is important from my perspective to understand
25 the Board's mandate concerning Hydro. Amongst its responsibilities, the Board is
26 mandated to regulate the electric utilities in the province, which includes Hydro, to
27 ensure that the rates charged are just and reasonable, and that the service provided is safe
28 and reliable. Its mission is to achieve an equitable balance between the interests of
29 consumers and service providers. Hydro is a wholly-owned subsidiary of Nalcor Energy,
30 a crown corporation wholly-owned by the Government of Newfoundland and Labrador,
31 which in turn is accountable to the people and taxpayers of the province.