

1 Q. Does Hydro agree that the *Electrical Power Control Act, 1994* and *Public Utilities Act*
2 require the Board approve rates for 2014 that reasonably reflect the cost of service
3 in 2014? If not, why not?

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6 A. In the absence of a directive to the contrary, Hydro agrees with the general
7 proposition in the question. It should be noted, however, that while the power
8 policy found in Section subparagraph 3(a)(ii) of the *Electrical Power Control Act,*
9 1994 requires that rates “should be established, wherever practicable, based on
10 forecast costs for that supply of power for 1 or more years”, Section 3.1 of that Act
11 provides the Lieutenant-Governor In Council may direct the Board as to power
12 policy in a manner that varies from the provisions of Section 3. This has occurred in
13 the present matter whereby Hydro was directed to file its GRA based upon a 2013
14 Test Year and the Board was directed to consider the matter in that regard.

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16 As a practical matter, it is very common for rates that are set based upon a specific
17 test year to stay in effect for subsequent years. Hydro filed its GRA in the second
18 half of 2013 based upon the test year it was directed to use for that purpose. In
19 light of the test year directive, the fact that rates based upon 2013 Test Year costs
20 will not go into effect until 2014 does not offend any regulatory principles or
21 practices.