Q. Assume that the Board approves, effective July 1, 2015, an interim base rate increase which is 50% of the rates that Hydro proposes and continuation of currently approved Rate Stabilization Plan and cost of service methodology, with no other changes, provide the estimated impact on Hydro's 2015 revenue requirement and rate of return.

A. Assuming the Board does not approve the Interim Rate Application as proposed by Hydro, Table 1 provides (i) the rate increases proposed in the 2015 Interim Rates Application and (ii) the interim base rate increases that would be implemented July 1, 2015 to provide 50% recovery of the base rates that Hydro would have proposed reflecting continuation of the existing cost of service methodology (i.e., primarily use of the existing Rural Deficit Methodology) and operation of the currently approved Rate Stabilization Plan rules.

Table 1
Comparison of Base Rate Increases

Customer Group	2015 Interim Rates Application	PUB Scenario
Newfoundland Power (NP)	11.2%	5.4%
Island Industrial Customers (IIC)	2.7%	9.1%
Labrador Interconnected	2.1%	14.5%
Hydro Rural Customers	-6.3%	-7.4%

Implementation of the rate changes provided in the scenario requested does not impact Hydro's 2015 Test Year Revenue Requirement. However, based on the assumptions provided, Hydro's financial results will be negatively impacted by both the further delay in rate implementation to July 1, 2015 and the differences in the rate increases that would result. The forecast net income under this scenario would be a loss of $18.8 million and a rate of return of 3.93% for 2015.