

December 10, 2014

Board of Commissioners of Public Utilities
P.O. Box 21040
120 Torbay Road
St. John's, NL A1A 5B2

Attention: G. Cheryl Blundon, Director of Corporate Services and Board Secretary

Ladies and Gentlemen:

Re: An Application by Newfoundland and Labrador Hydro for Recovery of 2014 Costs

Further to its Amended General Rates Application, on November 28, 2014 Hydro submitted an Application for Board approval of a deferral account that identifies and segregates for later recovery its 2014 revenue deficiency forecast to be \$45.9 million. Hydro indicates that the basis for this request is to allow it the opportunity to earn a reasonable return for 2014.

On December 3, 2014, the Board requested the Parties to make submissions relating to the process to be followed for this Application. The Board indicates that there is insufficient time to follow the normal regulatory process if Hydro is to receive relief by December 31, 2014 as requested. As a result, the Board requests that the Parties' submissions address the following:

"What are the implications or issues which should be considered in relation to an Order of the Board which approves only the creation of the deferral account and the transfer of \$45.9 million from Hydro income statement to the deferral account and denies all of Hydro's other requests. For clarity, there would be no approval at this time of Hydro's request i) to use the 2014 Test Year Cost of Service Study as a basis for allocating the revenue deficiency, ii) to use the credit balance in the RSP Hydraulic Variation Account balance at December 31, 2014 to provide recovery, and iii) to revise Section A of the RSP Rules to segregate the 2014 year-end balance in the RSP Variation Account."

The above described Order appears to be consistent with Hydro's proposal in the Amended General Rates Application (page 1.3R, lines 14 to 17): *"If the Board requires further testing of the 2014 Test Year costs prior to approving recovery of the 2014 Revenue Deficiency, Hydro proposes that the Board approve a 2014 cost deferral to provide Hydro the opportunity to earn a reasonable return in 2014"*.

Under the circumstances, the Consumer Advocate does not object to the process proposed by the Board or to the above described Order provided the following are subject to the full review and approval of the Board during the 2015 review of the Amended GRA: 1) the actual 2014 amount to be collected from customers, 2) the methodology and amounts to be allocated to each customer class, and 3) the methodology used to collect the amount owed by customers; i.e., through a credit of RSP balances, a rate increase, an

amortization of costs to be collected over several years, etc. The Consumer Advocate's submission does not serve as recognition that 2014 costs included in Hydro's Application have been prudently incurred.



Please contact the undersigned if you have any questions.

Yours very truly,

O'DEA, EARLE

THOMAS JOHNSON, Q.C.

TJ/cel

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