

1 Q. (IR-NP-NLH-6)

2 The response to IR-NP-NLH-6 states that the Board is required under Section 5 of
3 OC2013-089, as amended, "to ensure industrial rates are adjusted as of January 1,
4 2014 on the basis outlined in the OC. Additionally, as stated in Hydro's evidence,
5 the calculation of the amount of RSP surplus of \$49 million allocated to IC by
6 Government directive contemplates that Hydro's proposed GRA rates for IC would
7 come into effect on January 1, 2014". Does Hydro believe that in order for this
8 condition to be satisfied, the Interim Rates Application must be approved by the
9 Board? If the Board does not approve the Interim Rates Application, what
10 alternative actions would Hydro pursue to ensure this condition is satisfied?

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12 A. Response to:

13 Does Hydro believe that in order for this condition to be satisfied, the Interim Rates
14 Application must be approved by the Board?

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16 Section 2 of OC2013-089, as amended, states as follows:

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18 *On August 31, 2013 the Island industrial customers' Rate Stabilization*
19 *Plan will be credited with \$49 million, the estimated Rate Stabilization*
20 *Plan amount required to phase-in industrial customer rates, based on*
21 *Newfoundland and Labrador Hydro's General Rate Application.*

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23 Hydro's GRA requested rates effective January 1, 2014 and it should be inferred
24 that it was on this basis that the amount of \$49 million was allocated to IC from the
25 RSP Surplus¹. Further Section 4 of OC013-089, as amended, contemplated that RSP

¹ Refer to the response to PUB-NLH-7 in the RSP proceeding, included as Appendix D in Hydro's Interim Rates Evidence.

1 Surplus funds, once allocated, would be drawn down to fund the shortfall in Hydro's
2 revenues:

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4 *Over the three year Island industrial rate phase in period, the shortfall*
5 *in Newfoundland and Labrador Hydro's revenues when*
6 *compared to revenue at the Board of Commissioners of Public*
7 *Utilities-approved Island industrial customer rates, shall be funded*
8 *from the Island industrial customer Rate Stabilization Plan;*
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10 Given that the calculation of the \$49 million is based on Hydro drawing down the
11 funds commencing January 1, 2014, if this does not occur, IC will be left with an
12 unintended amount in its RSP account which was not contemplated in the
13 allocation of the \$49 million to the IC. Since there is a clear statement in the
14 Government directive on the basis of the \$49 million, being the estimated amount
15 necessary to phase in IC rates, and clear Government direction on the use of the
16 \$49 million, Hydro views the implementation of new IC rates on January 1, 2014 as
17 integral to the rates policy direction given and, in Hydro's view, should not be
18 altered.

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20 Hydro views the matter of the implementation of Interim Rates effective January 1,
21 2014 as somewhat akin to the matter of the finalization of 2008 to 2013 interim
22 rates which was ruled on by the Board in Order No. P.U. 29 (2013). In its
23 submission, Hydro pointed out that:

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25 *Reaching a different conclusion on the issue of the interim rates would*
26 *give a different rates outcome from that contemplated in the OC and,*
27 *therefore, cannot be reconciled with the policy implicit in the directive*
28 *to the Board." (Hydro, Written Submission, Page 8)*

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2 While interim rates had a different context in that submission, Hydro believes this
3 statement remains true in the context of the present Interim Rate Application.
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6 Response to:

7 If the Board does not approve the Interim Rates Application, what alternative
8 actions would Hydro pursue to ensure this condition is satisfied?
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- 10 A. OC2013-089, outlined above, is a directive to the Board. OC2013-090 is a directive
11 to Hydro which states, in part:
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13 *"...the Lieutenant Governor in Council is pleased to direct the Board of*
14 *Directors of Newfoundland and Labrador Hydro-Electric Corporation to*
15 *bring about such applications and information to the Board of*
16 *Commissioners of Public Utilities to facilitate Orders from that Board..."*
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18 In bringing forward its Interim Rate Application, Hydro believes it has fulfilled the
19 above mandate facilitating an Order from the Board which carries out the policy
20 implicit in the directive to the Board.