

1 Q. (Response to IR-NP-NLH-29)

2 In its response to IR-NP-NLH-29, Hydro outlines an interim rates approach using a
3 deferral and recovery mechanism. In the Interim Rates evidence, Hydro indicates
4 that it does not favour a deferral and recovery mechanism owing to complexities
5 associated with the RSP and the possibility of a significant IC rate increase on
6 January 1, 2014, preventing a smooth phase in of IC rates (Interim Rates Evidence,
7 page 12, lines 10 - 14). How would Hydro propose to deal with these issues under
8 the deferral and recovery mechanism outlined in IR-NP-NLH-29?

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11 A. In the Interim Rates evidence, Hydro indicated that it does not favour a deferral and
12 recovery mechanism owing to complexities associated with the RSP and the
13 possibility of a significant IC rate increase on January 1, 2014, preventing a smooth
14 phase in of IC rates. Subsequently, on December 6, 2013 the Board proposed a
15 revision to the RSP and on December 13, 2013 issued Order No. P. U. 40(2013)
16 approving Section D, subsection 2.2 of the RSP rules which deals, in part, with the
17 January 1, 2014 IC RSP adjustment and the smooth phase in of IC rates. This Order
18 by the Board does not address the funding to be drawn from the RSP Surplus to
19 phase in IC rates nor does it address the matter of providing Hydro the opportunity
20 to earn its proposed rate of return.

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22 In response to NP's proposal suggested in IR-NP-NLH-029, Hydro put forward a
23 modified version of that proposal which is believed, through a combination of
24 interim rates and a deferral and recovery mechanism, to meet desired objectives.
25 These objectives include Hydro's opportunity to earn an improved rate of return,
26 the implementation of IC rates using funding from the IC RSP Surplus and the

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- 1 deferral of the implementation of NP's demand and energy rate which seems to be
- 2 a concern of NP and CA.