

1 Q. Please indicate each and every example of which Hydro is aware where the Board
2 approved *changes* to a utility's rates on an interim basis without either (i) a public
3 hearing or (ii) agreement between all intervenors and Board counsel.

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6 A. Hydro is aware of a relatively recent Board approved change to NP's rates on an
7 interim basis in order to facilitate NP's request for approval of a just and reasonable
8 return on rate base for 2012. In response to NP's November 23, 2011 filing of an
9 "Application to Suspend Operation of the Automatic Adjustment Formula and a
10 review of the Cost of Capital for 2012", the Board approved in Order No. P.U.
11 25(2011) that NP's then-final rates¹, would become interim from January 1, 2012.
12 On March 30, 2012, NP filed an Application with the Board seeking approval, among
13 other things, of the following:

- 14 • Approval of a just and reasonable return on rate base for 2012; and
15 • Approval of customer rates based upon the rate of return on average rate
16 base for 2012.

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18 In its Order No. P.U. 17(2012) dated June 15, 2012, the Board approved the
19 deferred recovery of the difference between the then existing return on common
20 equity of 8.38% and the proposed 8.80% return on common equity for 2012,
21 calculated on the basis of NP's 2010 Test Year costs. Approving the deferred
22 recovery in this manner had the effect as if new rates were implemented on
23 January 1, 2012. The Board, in that same Order, approved that NP's current rates,
24 which were interim, would be considered final with effect from January 1, 2012. In
25 this instance, rates were made interim, enabling retrospective application of new
26 rates to January 1, 2012. This date was prior to (i) a public hearing; (ii) an

¹ Approved by Order No. P.U. 12(2011)

1 agreement between all intervenors and Board counsel; and (iii) prior to the
2 application for new rates being filed.

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4 Hydro has also put forward the alternative of a deferral and recovery mechanism,
5 similar to that described above, as an option in its Evidence, but states that it is
6 Hydro's preference that interim rates be approved rather than the deferral and
7 recovery mechanism. Hydro views the approval of a deferral and recovery
8 mechanism as a retrospective approach which would effect a January 1, 2014 rate
9 implementation of final rates, though Board approval would be given later in 2014.
10 Hydro has proposed what it views as a prospective approach in that rates would be
11 implemented on January 1, 2014 on an interim basis, with any excess revenues
12 refunded to customers upon approval of final rates later in 2014. Whether by
13 means of a deferral and recovery mechanism, or through its preferred approach of
14 interim rates, Hydro has requested that the opportunity be given to earn a return
15 on rate base that is closer to that which results from the Government directed ROE
16 for the 2013 Test Year. Subsection 75(1) of the Public Utilities Act empowers the
17 Board to make an interim order unilaterally and without public hearing or notice,
18 with any excess revenue that was earned as a result of an interim order refunded to
19 the customers of the public utility.