

1 Q. At page 6 of the Interim Rates Evidence, Hydro refers to Order No. P.U. 13 (2013)
2 where the Board provided for deferred recovery of a 2013 revenue shortfall for
3 Newfoundland Power arising from the implementation of 2013 customer rates.
4 Please explain in detail why it is appropriate for the Board to adopt a different
5 approach for Hydro in 2014 by approving interim rates based upon untested values.

6
7
8 A. While Hydro acknowledges that its interim rates request and the underlying 2013
9 Test Year values are not fully tested, NP's characterization of the request being
10 based upon "untested values" is not accurate. Hydro has responded to more than
11 1,000 RFIs related to its GRA and 93 RFIs related to its RSP and IC rates filing. There
12 have been three Board Orders resulting from Hydro's RSP and IC rates filings thus
13 far, including the beginning of the phase-in of IC rates which had been directed by
14 Government. The Test Year values, therefore, while not confirmed by the Board,
15 have been the subject of testing by the Parties.

16
17 Hydro has put forward the alternative of a deferral and recovery mechanism,
18 similar to that approved for NP in its last GRA, as an option in its Application, but
19 Hydro's preference is that interim rates be approved for the reasons outlined in its
20 Evidence.

21
22 Section 75 of The Public Utilities Act (PUA) provides for the Board to make interim
23 orders unilaterally and in circumstances where a hearing has not been held.
24 Clearly, the PUA contemplates that interim rates may be set based upon Test Year
25 values that have not been fully tested or are untested. It is important to recognize
26 that the approval of rates on an interim basis in no way ties the hands of the Board
27 as to a final order it may make as to those rates.

1 While approval of a deferral and recovery mechanism may have been the better
2 option for NP in 2013, Hydro believes it is appropriate for the Board to adopt a
3 different approach for Hydro in 2014. NP does not have the complexities of Hydro's
4 RSP calculations nor anything similar to Hydro's currently approved phase-in of IC
5 rates. It is Hydro's position that implementation of interim rates is the better
6 option in the current circumstances.

7
8 Hydro views the approval of a deferral and recovery mechanism as a retrospective
9 approach which would effect a January 1, 2014 rate implementation of final rates
10 though Board approval would be given later in 2014. Hydro has proposed what it
11 views as a prospective approach in that rates would be implemented on January 1,
12 2014 on an interim basis, with any excess revenues refunded to customers upon
13 approval of final rates. Whether by means of a deferral and recovery mechanism,
14 or through its preferred approach of interim rates, Hydro has requested that the
15 opportunity be given to earn a return on rate base that is closer to that which
16 results from the Government directed ROE for the 2013 Test Year. Please refer also
17 to Hydro's response to IR-NP-NLH-005.