Q. Further to response to Request for Information IR-NP-NLH-5, does Hydro perceive there to be any material difference between interim rate approvals in which existing rates remain in effect until a final order of the Board, and interim rate approvals in which new rates come in effect that will likely require future adjustment and/or refunds upon a final order of the Board? Please respond to the question from the perspective of the impacts on both the customer and the utility.

A. There is a difference between interim rates set in these scenarios. In one case, the Board makes an interim order which retains the existing rates but conserves the power to provide, at a later time, a recovery to the utility or a refund to the ratepayers to adjust for the rates outcome that is deemed by the Board to be appropriate when it issues its final order.

In the other case, the Board orders a change in rates on an interim basis. Section 75 of the Public Utilities Act empowers the Board to make an interim order based upon an application received or it may do so unilaterally. It may do so with or without a hearing. This clearly empowers the Board to make an interim order with immediate effect on rates before it has received all the evidence that it will eventually receive before rendering a final order. The Board is empowered to later refund to ratepayers any excess revenue obtained by the utility through the interim rate the Board has set. Using the interim order provision to set new rates provides the utility with a sufficient source of revenue determined upon the best then available evidence. By doing so, it avoids regulatory lag for the utility and institutes rates, and rate signals, which are likely to be closer, than are the existing rates, to the rates that will be granted upon a final order. In a general sense, this is analogous to the fuel rider in Hydro's RSP which uses a forecast fuel cost, as opposed to the

current fuel cost, to set a RSP adjustment. The intention is to attain a better temporal matching of rates and costs.

The effect of an interim rates order from either approach, over a period of time, is the same. The ratepayers pays, and the utility receives, the same amount for the power and energy consumed during that period.