1 Q. Please explain why, in the context of Hydro's return on equity over the last several

2   years, it is reasonable and necessary to implement the proposed Interim Rates at

3   this stage of the General Rate Application.

4

5

6 A. Order in Council OC2009-063 dated March 17, 2009 directed that the target return

7   on equity for Hydro would be the same as was set for NP. Hydro's response to NP-

8   NLH-010 details the regulatory events since that direction was given culminating in

9   the Government rates policy directives on April 4, 2013 on the long standing

10   January 1, 2007 to August 31, 2013 accumulated load variation issue. This direction

11   cleared the way for Hydro to file its GRA on July 30, 2013 requesting new rates

12   which incorporate the Government directed return on equity. As shown in the

13   following table Hydro's return has been, on average, in line with its 2007 Board

14   approved return up until 2012 but far below the Government directed return on

15   equity equivalent of NP if new rates are not implemented.

16

	Return on Equity							
	Actual							
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Return on Equity	1.30%	4.12%	6.18%	2.03%	6.59%	5.25%	1.86%	1.11%
Return on Equity in Order No. P.U. 8(2007)	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
NP Return on Equity	9.75%	8.69%	9.00%	8.38%	8.38%	8.80%	8.80%	8.80%

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18

19   In its Interim Rates Application, Hydro has requested interim rates effective January

20   1, 2014 in order to have the opportunity to earn a return on rate base that is closer

21   to that which results from the Government directed ROE for the 2013 Test Year. In

1   its Evidence and in responses to RFIs[1], Hydro has detailed how NP has received

2   Board approval for the opportunity, through deferred recovery, to earn its rate of

3   return in 2012 and again in 2013. Hydro is requesting that same opportunity

4   through the implementation of the proposed interim rates on January 1, 2014.

5   Hydro believes its proposal is reasonable and equitable.

[1] Refer to IR-NP-NLH-005 and IR-NP-NLH-008.