

1 Q. (June 19, 2014 Presentation entitled Settlement Discussions - Second Interim Rate
2 Application) It is stated (slide 6) "Absent other information, Hydro's current
3 financial forecast signals a fiduciary obligation to cut costs". If the Second Interim
4 Rates Application is not approved, how will customers be impacted? For example,
5 would Hydro cut costs by eliminating programs, and if so, which programs would be
6 cut (i.e., would Hydro be forced to renege on obligations relating to the Outage
7 Inquiry), what cost savings would result from the program cuts (i.e., would
8 programs totalling \$30 million in annual savings be cut), and what impact would
9 these program cuts have on customer service?

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12 A. Hydro believes the Board will meet its legislative requirement and provide Hydro
13 the opportunity to enable it to earn a just and reasonable return in 2014 as
14 construed under the *Public Utilities Act*. However, if Hydro's Second Interim Rates
15 Application is not approved, then Hydro must plan to minimize financial losses in
16 2014.

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18 While Hydro is always seeking ways to minimize costs, it does not think it would be
19 prudent, practical or consistent with its mandate to reduce costs to the magnitude
20 of the revenue shortfall. Hydro's current forecast assumes a reasonable return in
21 2014. Should this not be available, Hydro will be considering all reasonable
22 measures that may be required to offset the financial losses.