

1 Q. Please indicate the expenses that Hydro will incur in its 2014 net income to pay for
2 the RSP interest related to each of the balances being carried (i.e. (a) hydraulic,
3 under both the base case forecast and under the proposed application by Hydro; (b)
4 industrial RSP surplus, under both the base case forecast and under the proposed
5 application by Hydro; (c) utility RSP surplus; and, (d) Segregated Load Balance).

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8 A. The 2014 forecast net income impact of financing the noted balances in the RSP
9 would be the difference between the Weighted Average Cost of Capital (WACC) and
10 the short-term cost of borrowing as shown in the table below.

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2014 Estimated Net Income effect of RSP Financing

(\$000s)	Base Case			Proposed ¹		
	RSP Interest ²	Short-term Financing ³	Net Income Impact ⁴	RSP Interest ²	Short-term Financing ³	Net Income Impact ⁴
Hydraulic ⁵	4,599.5	638.0	3,961.5	4,599.5	638.0	3,961.5
Industrial RSP Surplus ⁶	793.8	110.1	683.6	563.0	78.1	484.9
Utility RSP Surplus	8,683.2	1,170.2	7,512.9	8,683.2	1,170.2	7,512.9
Segregated Load Balance	1,409.4	191.0	1,218.5	1,409.4	191.0	1,218.5
Total	15,485.9	2,109.3	13,376.5	15,255.1	2,077.3	13,177.8

1 Proposed case reflects Second Interim Rates Application.

2 Financing in the RSP is based upon 2007 Test Year Weighted Average Cost of Capital (WACC) of 7.529% per annum.

3 Estimated short-term borrowing rate of 1.01% per annum.

4 A positive impact results in a reduction to net income.

5 Proposal is to transfer \$29.4 million at December 31, 2014 therefore there is no difference in financing costs.

6 Base Case assumes no drawdown of IC RSP Surplus other than Teck RSP adj rate of (11.11) mills/kWh.