

1 **Q. Hydro's amended application to be filed in the fall of 2014 will include forecast 2014**
2 **Test Year revenue requirement and 2015 Test Year revenue requirement for use by**
3 **the Board in approving final customer rates. Given no customer rate changes are**
4 **proposed for 2014 and customer rates for 2015 will be based on tested costs upon**
5 **conclusion of the GRA, please identify any disadvantages to the customers of**
6 **Newfoundland Power that will result from the Board approving Hydro's Second**
7 **Interim Rate Application.**

9 A. In Hydro's Second Interim Rates Application it is proposed that the Board "...approve on
10 an interim basis that \$29.4 million of the RSP credit balance in the Hydraulic component
11 be provided to Newfoundland and Labrador Hydro ("Hydro") to record as revenue in
12 2014." The RSP credit balance in the Hydraulic component, in effect, represents an
13 amount currently due to customers from Hydro.

15 From Newfoundland Power's perspective, what Hydro's amended application will
16 contain or when it will be filed is currently uncertain. Newfoundland Power observes
17 that Hydro's last general rate application was filed on August 3, 2006 and that the timing
18 of Hydro's current general rate application has been affected by Orders in Council made
19 by the Government of the Province. Hydro's filing of its amended general rate
20 application is a future act over which a third party (i.e., the Government of the Province)
21 exercises significant influence.

23 If the Board ordered that \$29.4 million of the RSP credit balance be "...provided to
24 Hydro to record as revenue in 2014", it is unclear to Newfoundland Power what the
25 *interim* nature of the transfer implies. While there is provision in the *Public Utilities Act*
26 for interim orders governing rates (see Section 75), there is no provision which governs
27 *interim* orders approving transfers from deferral accounts. Following Hydro's recording
28 of the \$29.4 million as revenue in 2014, it is unclear what, if any, residual authority the
29 Board might practically retain in respect of it. If, for example, Hydro did not file an
30 amended general rate application until 2015, the \$29.4 million 2014 transfer may, for all
31 practical purposes, be final.

33 The lack of regulatory clarity surrounding this proposal and its effects creates the risk that
34 customers of Newfoundland Power may ultimately be denied the benefit of part or all of
35 \$29.4 million in the current credit balance in the RSP. This is a disadvantage that might
36 result from the Board's approval of Hydro's Second Interim Rate Application.