

1       **Q. The GRA evidentiary record shows that Hydro's increased 2013 Test Year revenue**  
2       **requirement due to the increased return on equity in compliance with the**  
3       **Government directive is approximately \$21 million (see response to PUB-NLH-056).**

5       **Does Newfoundland Power believe it would be reasonable for the Board to approve**  
6       **on an interim basis, until 2014 costs are fully tested in 2015, a cost deferral account**  
7       **for Hydro to be charged with the full amount of the difference in 2014 revenue**  
8       **between the 2007 Test Year approved return on equity and the 2013 Test Year**  
9       **return on equity in accordance with the Government directive? If no, please explain**  
10      **why?**

12     A. In Newfoundland and Labrador Hydro's ("Hydro") letter of June 6, 2014, giving the  
13      Board notice of an amended filing of its 2013 rate application, it was indicated, in effect,  
14      that Hydro intended to substitute the current 2013 test year with a 2015 test year. The  
15      impact of this proposed change on recovery of 2014 costs by Hydro is not currently clear  
16      to Newfoundland Power.

18      Hydro's 2013 costs that are outlined in the response to Request for Information PUB-  
19      NLH-056 were not assessed by the Board, or tested, and found suitable for recovery.  
20      Given the content of Hydro's letter of June 6, 2014, it appears that Hydro's 2013 costs  
21      will not be tested.

23      OC2009-063 directs the Board to apply a policy in calculating Hydro's return on rate  
24      base "...commencing with the first General Rate Application by Newfoundland and  
25      Labrador Hydro after January 1, 2009." It is not clear that the policy direction contained  
26      in OC2009-063 was intended to apply *in advance* of the establishment of new customer  
27      rates by the Board as the proposition contained in this question indicates.

29      The evidence provided in the Second Interim Rate Application does not indicate how the  
30      proposed 2014 return on rate base relates to that approved by the Board in Hydro's last  
31      General Rate Application. Nor is it clear *why* Hydro's 2014 forecast returns are so low.

33      Newfoundland Power believes that Board approval of applications requires an  
34      evidentiary record that provides a reasonable basis for the approval. Given the lack of  
35      regulatory clarity, Newfoundland Power cannot conclude a reasonable basis currently  
36      exists for the Board to approve the proposition contained in this question.