

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).**

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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?**

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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.

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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.

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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.

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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.

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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.