

1 Q. On page 7, lines 7-11 of the evidence Hydro states that following Hydro's 2006 general
2 rate application the Board approved the use of a credit balance in the Hydraulic
3 Production Variation to reduce rate impacts and that the 2006 approach has "merit in
4 the current circumstances". Please provide Hydro's opinion as to why the 2006
5 situation, following a general rate application when the rates were known, is similar to
6 and should be relied on to support the current application to set rates in advance of
7 the conclusion of the general rate application.

8

9

10 A. Board approval of the use of approximately \$20 million in the RSP Hydraulic
11 Production Variation component to pay down the RSP Historical Plan Balance owing
12 from customers in 2006 was provided prior to completion of the GRA in 2007.

13

14 In P.U. 41(2006), the Board approved, on an interim basis, Hydro's Application for
15 rates for Newfoundland Power, among others. Rates for Newfoundland Power
16 incorporated the use of Newfoundland Power's portion of the Hydraulic Production
17 Variation, which had the effect, at the time, of offsetting current costs owing from
18 customers.

19

20 Board approval in this manner is similar to the treatment that Hydro is currently
21 seeking. In its Second Interim Rates Application Hydro proposes, "that the Board
22 approve on an interim basis that \$29.4 million of the RSP credit balance in the
23 Hydraulic component be provided to Hydro to record as revenue in 2014." This
24 proposal has the advantage of offsetting amounts deferred from the revenue
25 shortfall, and to be collected from customers in the future, against funds that have
26 already been collected from customers and are being held in a deferral account for
27 payment to customers. Offsetting amounts owing from customers against funds

SIR-PUB-NLH-005
NLH 2013 Second Interim Rates Application

Page 2 of 2

- 1 owing to customers (in the manner proposed) results in base rates approved by the
- 2 Board better reflecting the current costs of providing service.