

1     Q.     Provide advise how Hydro intends to deal with proposed 2014 rate changes  
2                    resulting from the general rate application to Newfoundland Power Inc. customers  
3                    and Hydro's Isolated customers and Island Interconnected customers, which will be  
4                    temporarily suspended as a result of the use of the credit of \$29.4 million from the  
5                    Rate Stabilization Plan.

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8     A.     The actual net income shortfall for 2014 will be determined based upon the Board  
9                    testing Hydro's 2014 test year revenue requirement following the submission of the  
10                    amended application in the fall of 2014. The difference between the actual and the  
11                    forecast \$29.4 million net income shortfall for 2014 will be recognized as a revenue  
12                    adjustment in 2015 or over some other time period subject to an order of the  
13                    Board.

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15            In its amended application, Hydro will be requesting the Board approve, upon  
16                    conclusion of the GRA, that the rates in effect for 2014 to Newfoundland Power,  
17                    Hydro's Isolated Customers, Hydro's Island Interconnected and Hydro's Labrador  
18                    Interconnected Customers made final for 2014.

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20            In the Second Interim Rates Application, Hydro has proposed new rates for Island  
21                    Industrial Customers (IC) to be effective January 1, July 1 and September 1, 2014. If  
22                    the Board approves the proposed IC rates for 2014, Hydro will propose in its  
23                    amended application that, upon conclusion of the GRA, the Board approve that the  
24                    IC rates in effect for 2014 be approved as final for 2014.

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26            Hydro's amended application will include a 2015 cost of service study which will  
27                    allocate the 2014 net income shortfall by class on a revenue requirement basis and

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1       provide the basis for the operation of the RSP effective January 1, 2015. The  
2       recovery of the actual 2014 net income shortfall will be subject to Board approval at  
3       the conclusion of the GRA. However, options for the Board to consider include the  
4       use of credit balance in the RSP, amortization of the shortfall over several years or a  
5       combination of both approaches.