

1 Q. Section K-1 of the Application is the rate base for 2012.

2 a) Please explain the connection, if any, between the approval of the 2014  
3 capital budget and the approval of the 2012 rate.

4 b) At what point does an increase in rate base impact customers' rates?

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7 A. a) There is no connection between the approval of the 2014 capital budget and  
8 the approval of the 2012 rate base. Hydro applies annually for actual rate  
9 base, based upon its actual assets in service. Work in progress - projects  
10 where assets are not yet in service - is excluded from rate base.

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12 b) Customers' rates are affected by changes in rate base when Hydro receives  
13 approval of new rates based upon a proposed test year. Hydro's current  
14 General Rate Application, for instance, includes revenue requirement  
15 impacts related to its forecast rate base for the 2013 Test Year.