

1 Q. (Re: October 2014 Evidence submitted as part of Application) On page 9 lines 9 to
2 12, Hydro quotes from a previous Board Order as follows: "...*The Board has*
3 *accepted that an expense may be considered an extraordinary repair if it meets the*
4 *minimum threshold of \$500,000 and would cause a rate shock or a shock in Hydro's*
5 *earnings that is considered unreasonably high...*" Please confirm that Hydro does
6 not consider the capacity-related expenses referred to in this Application as
7 "*extraordinary repairs*". If Hydro does consider these expenses to be "*extraordinary*
8 *repairs*", please provide support.

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11 A. Hydro confirms that it does not consider the additional capacity-related supply
12 costs to be "repairs" in relation to the physical condition and operation of the
13 utility's plants. However, the proposed treatment of the increased capacity-related
14 supply costs is analogous to the treatment of Major Extraordinary Repairs in that
15 these costs are non-capital expenses that are extraordinary in nature, were
16 unforeseen, and thus are not typical of the costs that were identified and included
17 in either Hydro's test year forecast or in the RSP as recoverable in the existing
18 regulatory framework. The costs in question total \$9,965,000, which greatly
19 exceeds the threshold amount of \$500,000, and would cause a significant shock to
20 Hydro's earnings if they were to be recognized in 2014 and not approved for
21 recovery on a deferred basis. In such unique and extraordinary circumstances,
22 Hydro submits that it should be provided the opportunity to recover the necessary
23 non-capital expenses incurred to provide service to its customers in a manner
24 similar to the regulatory treatment that has been applied in the past in relation to
25 Major Extraordinary Repairs.