

1 Q. At page 5 of Order No. P.U. 39(2014) in relation to Newfoundland and Labrador
2 Hydro - Second Application for the Interim Approval of Customer Electricity Rates
3 for 2014, the Board stated:

4 *“Hydro further explains that its 2014 financial outlook has changed materially*
5 *since the filing of the general rate application forecast, noting that additional*
6 *supply costs of \$10 million were incurred in the first quarter of 2014, Hydro also*
7 *states that it will incur additional costs in 2014 associated with the Board's*
8 *ongoing review of the Island Interconnected System supply issues and power*
9 *outages. Hydro submits that the Application demonstrates its requirement for*
10 *additional revenue in 2014 and balances the objectives of reasonable cost*
11 *recovery and customer impacts.”*

12 And at page 11, the Board indicated:

13 *“...the approval of interim relief in advance of the conclusion of a general rate*
14 *application is an extraordinary measure which must be fully justified in the*
15 *circumstances. Hydro now advises that its 2014 financial outlook has changed*
16 *materially since the filing of the general rate application and that it plans to file*
17 *an amended general rate application with updated forecasts. The Board finds that*
18 *it is not clear that the evidence filed reflects Hydro's financial circumstances for*
19 *2014 and further that the evidence does not adequately address customer*
20 *impacts. Hydro has failed to provide a reasonable evidentiary basis consistent*
21 *with good utility practice to justify the proposed revenue transfer.”*

22 Please describe how the evidence filed in support of the Application addresses
23 customer impacts.

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26 A. The current application sets out in detail the nature of the costs that were incurred
27 during the January to March 2014 period to ensure that Hydro was in a position to

1 be able to provide safe and adequate and just and reasonable service to its
2 customers throughout this period. Hydro's application for the deferred recovery of
3 the necessary capacity-related supply costs to serve customers is consistent with
4 past Board treatment of other extraordinary non-capital expenses that were
5 incurred outside a test year, and thus the recovery of these costs in consumer rates
6 is appropriate. Specific consideration of "customer impacts" is not required by the
7 Board in making determinations regarding the appropriateness of cost recovery for
8 Major Extraordinary Repairs.

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10 The foregoing being said, Hydro has proposed that the expenses be deferred for
11 recovery over a five-year period beginning in 2015 to mitigate the implications of
12 seeking to recover the full amount of \$9,965,000 from customers in one year.