

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 explain how the evidence for Hydro's 2014 financial outlook, particularly that
23 presented in Appendix B, is clearer than that the evidence presented in Hydro's
24 Second Interim Rates Application.

1 A. The financial evidence presented in the Second Interim Rates Application included
2 2014 forecast income statements under existing rates that were based upon the
3 forecast 2014 costs filed as part of Hydro's 2013 General Rate Application (as noted
4 in the May 12, 2014 Evidence, page 2, lines 17-18).

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6 As Hydro advised during the Second Interim Rates Application process and as the
7 Board noted in its September 17, 2014 decision, that 2014 financial outlook
8 changed materially since the filing of the General Rate Application. The evidence
9 for Hydro's 2014 financial outlook in the current application, particularly that
10 presented in Appendix B, now reflects those material changes. The current
11 application incorporates actual 2014 revenues and expenses up to the end of May
12 2014, as well as the most current projections of expected revenues and expenses
13 for the remainder of the 2014 year, which were calculated shortly before the filing
14 of this application on October 8, 2014.

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16 Thus, the evidence submitted as part of this application clearly provides a more
17 accurate and up-to-date reflection of Hydro's financial circumstances for 2014 than
18 the financial outlook presented in the Second Interim Rates Application.

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20 Please see Hydro's response to CA-NLH-008.