

1 Q. **Volume II (1<sup>st</sup> Revision), Exhibit 10: Average Rate Base Methodology**

2 If there is no impact on Hydro’s GRA as a result of the recommendation, why is  
3 Hydro proposing to change its current average rate base methodology at this time?  
4 (Volume I (1<sup>st</sup> Revision), Chapter 4: Finance, Page 4.12, Line 5, *et. seq.*)

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7 A. This response has been provided by Christensen Associates Energy Consulting.

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9 The proposed rate base approach – beginning and ending balances with  
10 annualization for large rate base changes – is with respect to policy, prospectively.  
11 Hydro advances this method during the current proceeding because, as a matter of  
12 rate base policy, it is the appropriate rate base approach on a going forward basis,  
13 under the criterion set forth in the Christensen Associates’ discussion paper, “Rate  
14 Base Methods for Determining Utility Rates: Consideration of Alternatives and  
15 Recommendations.” (2017 General Rate Application, Volume II, Exhibit 10). The  
16 discussion paper states “...rates reflect the costs of utility services, at the time that  
17 services are provided.” (Page 7 of 13, first sentence of the final paragraph). In view  
18 of numerous issues facing the Board, stakeholders to Board proceedings focused on  
19 electricity rates, and Hydro over these near-term years, it is appropriate to have the  
20 Board take consideration of, and rule on, Hydro’s proposed rate base methodology,  
21 as a matter of general policy.