

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

2 In Order No. P.U. 49 (2016), the Board stated that

3 *“...in normal circumstances, the forecast rate base*  
4 *calculations for the test year would include forecast*  
5 *opening and closing balances reflecting assets expected to*  
6 *be in service at that time. However, as discussed previously,*  
7 *the Board does not consider this Amended Application and*  
8 *the associated proceeding to be normal.”*

9 (Page 63, lines 17-20)

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11 In light of this statement, why does Hydro consider the recommended approach for  
12 its average rate base methodology to be consistent with the Board’s direction  
13 regarding the inclusion of the Holyrood gas turbine in 2015 test year average rate  
14 base for purpose of rate setting beginning in 2016? (Volume I (1st Revision),  
15 Chapter 4: Finance, Page 4.12,  
16 Footnote 35)

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

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21 Hydro has advised it concurs with the decision of the Board with respect to the  
22 issue in the above referenced Order of the Board. Therein, the Order annualized the  
23 cost of the Holyrood gas turbine over the 2016 year. Hydro’s proposed rate base  
24 method within this current GRA proceeding is in keeping, and is thus fully  
25 consistent, with the Board’s decision regarding this issue in Board Order for the  
26 Amended 2013 General Rate Application. As discussed in Hydro’s response to NP-  
27 NLH-135, it is Hydro’s view that the proposed rate base methodology is appropriate

- 1 as a matter of policy, and recommends that the Board adopt this approach, as a
- 2 general methodology on a going forward basis.