

1 **Q. Page 5, lines 10-12. Please explain further Mr. Bowman's position, including**
2 **whether he is recommending that Hydro withdraw its 2017 general rate application**
3 **at this time and how does he recommend that the Board address the current**
4 **application given his opinion that it "might be better to divert time from this**
5 **Application to the numerous other regulatory filings that Hydro has on its plate".**
6

7 **A.** Mr. Doug Bowman recommends that the Board address the current Application because
8 current rates do not reflect costs under the new Island supply regime brought on by the
9 commissioning of the LIL and ML transmission projects in 2018. A new cost of service
10 study is needed to identify costs under the new supply regime and allocate those costs to
11 Island customer classes. Current Island customer rates require adjustment to reflect the
12 new cost allocations.
13

14 Sadly, the cost of service study proposed by Hydro in the 2017 GRA does not reflect the
15 new supply regime, but rather assumes that low-cost off-island purchases would not be
16 available and that Holyrood would continue to operate as it has in the past. There is a
17 need for Hydro to file a 2019 test year cost of service study based on the expected supply
18 regime with off-island purchases, and file the information documented in the response to
19 PUB-CA-003 in support of the cost of service study. Mr. Doug Bowman recommends
20 that the Board address the current Application, but not until the information in PUB-CA-
21 003 is filed; otherwise, it is not possible for the Board and the parties to properly assess
22 the Application.
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24 Mr. Doug Bowman is concerned about Hydro statements indicating the Provincial
25 Government will be setting electricity rates for the Province, such as "*The Provincial*
26 *Government has indicated that it plans to keep rates at par with the forecast Atlantic*
27 *Canada average of 17 cents per kWh*" (LAB-NLH-36) and "*rate mitigation actions or*
28 *plans beyond what Hydro has proposed in the 2017 GRA Hydro will be a policy decision*
29 *of government*" (CA-NLH-6).¹ It would be disappointing, and costly to consumers, if the
30 Board and the parties were to expend the effort necessary to resolve this case only to have
31 it overturned by Government. Mr. Doug Bowman is hopeful that the Board can direct
32 Hydro to file the information set out in PUB-CA-003, complete the review process for
33 this Application and issue a Decision in a timely and efficient manner that will cause the
34 Government to reconsider the need for its involvement in the rate setting process, at least
35 until the period beyond the commissioning of Muskrat Falls generation. The Board, being
36 both "*informed and independent*", is in the best position to decide future rates in the
37 Province. Mr. Doug Bowman is confident that the Board in its Decision on the
38 Application will take into consideration the evidence filed by all parties to this
39 undertaking. He is concerned that the Provincial Government is not as "*informed*" on
40 these matters, and may rely too heavily of information provided by Hydro rather than the
41 parties.

¹ Mr. Doug Bowman notes that Hydro confidently states that the Provincial Government will involve itself in the rate setting regime, but seemingly believes that there is little that can be done to repeal, or make needed amendments to, OC2013-343 and OC2009-063.