

- 1 Q. Please explain each element of the increase in Hydro’s rate base for the Island Interconnected
2 System for the 2018 Test Year in the Compliance filing [\$2,036.4 million as per Exhibit 13,
3 Schedule 1.1, page 2 of 2 of the Compliance filing] compared to Hydro’s October 2018 filing
4 [\$2,019.3 million as per Schedule 1.1, page 2 of 2, Appendix C, Schedule 1 of October 2018
5 filing].
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- 8 A. The October 2018¹ rate bases included in the filed cost of service studies were an update of the
9 2017 General Rate Application filing forecast based on issues raised and settled during the
10 hearing process. The October 2018 Filing was based on December 2016 actual asset data with
11 the addition of the 2017–2019 Capital Budget proposals. The 2017 GRA Compliance Application
12 is based on the 2018 rate base with the addition of the 2019 Capital Budget proposals. Table 1
13 provides variance explanations for each major rate base item.

Table 1: Comparison of 2018 Interconnected Island Rate Base (\$)

Rate Base	2017 GRA Compliance Application	October 2018 Cost of Service	Variance	Notes
	Island Interconnected	Island Interconnected		
Average Net Book Value	1,828,481,198	1,844,981,477	(16,500,279)	The October 2018 Filing was based on 2016 actual data with capital budget proposals for 2017-2019. The 2017 GRA Compliance Application is based on 2018 actual asset data with capital budget proposals for 2019.
Cash Working Capital	2,030,082	1,941,986	88,096	
Fuel Inventory: No. 6 Fuel	45,727,894	57,754,996	(12,027,102)	The 2017 GRA Compliance

¹ “2018 Cost Deferral and Interim Rates Application,” (Rev. 2) November 14, 2018 (originally filed October 26, 2018), (“October 2018 Filing”).

Rate Base	2017 GRA Compliance Application	October 2018 Cost of Service	Variance	Notes
	Island Interconnected	Island Interconnected		
				Application average purchase price was valued at 2015 Test Year levels (\$64/bbl) for 2018 as compared with an average of \$93/bbl in the October 2018 Filing.
Fuel Inventory: Diesel	86,714	102,326	(15,612)	
Fuel Inventory: Gas Turbine	3,477,438	4,652,200	(1,174,762)	
Inventory/Supplies	29,536,695	29,348,869	187,827	
Deferred Charges: Holyrood	-	-	-	
Deferred Charges: Foreign Exchange Loss and Regulatory Costs ^{2,3}	118,658,952	73,692,188	44,966,764	The variance in deferred charges is primarily driven by the adjustments reflecting the Board's approval of the deferred supply costs from 2015–2017. This is partially mitigated by a reduction in Hydro's forecast 2018 revenue deficiency from the 2017 General Rate Application to the 2017 GRA Compliance Application. Please refer to the 2017 GRA Compliance Application, Exhibit 4, at p.15 for further information in relation to deferred charges

² 2017 General Rate Application Board Order No. P.U. 16 (2019), at p.52/23–25.

³ Hydro's calculation and proposed treatment of revenue deficiency is addressed in Exhibit 5 of the 2017 GRA Compliance Application.

Rate Base	2017 GRA Compliance Application	October 2018 Cost of Service	Variance	Notes
	Island Interconnected	Island Interconnected		
Retired Asset Pool	8,418,301	6,814,009	1,604,292	adjustments in the 2017 GRA Compliance Application. The 2017 GRA Compliance Application followed the approved allocation of the retired asset pool among systems based on Unit of Property whereas the October 2018 Filing used the average net book value to allocate the retired asset pool among systems.
Total Rate Base	2,036,417,276	2,019,288,052		