

1 Q. The 2018 fuel price projection of \$63.75 Cdn \$/bbl filed with the Board on October
2 16, 2017 indicates a lower price for No. 6 fuel than Hydro used in its 2018 Test Year
3 Revenue Requirement. This lower price could significantly reduce the interim rate
4 increase proposed for 2018. Explain how this reduced rate increase for 2018 should
5 be taken into account in considering Hydro's proposals to use the RSP Hydraulic
6 Variation Account to recover supply cost balances as proposed in this Application.

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9 A. There is an opportunity to provide interim rate relief to Hydro for 2018 by reducing
10 the existing fuel rider to reflect the most recent fuel forecast and to simultaneously
11 increase base rates to provide additional revenue to Hydro. Following this approach
12 will materially reduce the rate increase required for 2018 relative to that projected
13 in the 2017 GRA and to provide rate stability to customers for 2018.

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15 With respect to the recovery of the deferred supply costs for 2015 and 2016, Hydro
16 believes it is appropriate to apply historical energy supply savings from one supply
17 source to recover historical energy supply costs from another supply source. This
18 approach minimizes the required rate increase to future customers to provide
19 recovery of historical costs and is consistent with intergenerational equity.

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21 In summary, there is a balance owing from customers for prudently incurred supply
22 costs for the period 2015 and 2016. Whether this balance is recorded as a debit
23 balance in the Rate Stabilization Plan (RSP) Hydraulic Variation Account or in a
24 separate deferral account with a similar recovery period, it may not matter to
25 customers. From Hydro's perspective both intergenerational equity and rate
26 stability are important considerations when determining the preferred approach for
27 recovery. Also, as indicated in Hydro's response to PUB-NLH-002, Hydro believes it

- 1 should be provided the opportunity for cost recovery within a reasonable
- 2 timeframe.