

1 Q. Please show how the proposed interim rates will result in a smooth transition of
2 Island Industrial Customer rates, thus alleviating rate impacts.

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5 A. If the Board approves the forecast No. 6 fuel cost for 2016 of \$64.41 per barrel
6 (\$Cdn) to be the 2015 Test Year fuel cost for use in establishing final customer base
7 rates, all else being equal, the proposed IIC base demand and energy rates provided
8 in the 2016 Interim Industrial Rates Application would equal the rates derived from
9 the updated 2015 Test Year reflecting the revised fuel cost.

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11 In the present Application, through the use of the RSP Surplus, Hydro proposes that
12 there would be no customer net rate impact of implementing the proposed January
13 1, 2016 rate changes as part of the ongoing phase-in of IIC rates (i.e. IIC rates
14 remain consistent with July 1, 2015 interim rates). Hydro believes that approval of
15 Hydro's interim rate proposals effective January 1, 2016 would achieve another
16 step in the phase-in of IIC rates, that is, the implementation of proposed IIC base
17 demand and energy rates derived from the updated 2015 Test Year reflecting the
18 revised fuel cost.

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20 The remaining steps in the transition for IIC rates would be the implementation of
21 final rates on conclusion of the GRA and the phase-out of the use of RSP Surplus
22 Adjustments which are currently alleviating the rate impacts of the phase-in of IIC
23 rates. The forecast final rate increase to IIC on September 1, 2016 with the
24 elimination of the RSP Surplus Adjustments is 13.2%, as outlined in the response to
25 NP-NLH-005. This assumes the Board approves Hydro's recommended alternate
26 approach to calculating specifically assigned charges as detailed in Undertaking 45.1
27 to Hydro's GRA. The estimated September 1, 2016 IIC final rate increase assuming

- 1 specifically assigned charges as in the Amended Application proposed, would be
- 2 15.0%.