

1 Q. Paragraph 9 of the Application indicates Hydro will have a 2016 net income  
2 deficiency if there is a delay in increasing IIC rates beyond January 1, 2016. Please  
3 quantify the deficiency and show the impact on Hydro's key financial indicators  
4 assuming the Board Order relating to the Amended 2013 GRA is effective April 1,  
5 2016, and alternatively, July 1, 2016. Please show how the additional revenue  
6 Hydro will receive from the interim rates will improve Hydro's financial situation in  
7 2016.

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10 A. Should the Board approve the interim IIC base rates as proposed in the Application  
11 effective January 1, 2016 and the Board approves that the 2015 Test Year forecast  
12 reflect the No. 6 fuel cost of \$64.41 per barrel, the financial impact of a delay in a  
13 final Board decision relating to the Amended 2013 GRA would be limited to the  
14 increased amount of specifically assigned charges proposed to be recovered from  
15 the IIC in the Amended Application.

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17 Hydro has proposed to maintain the existing specifically assigned charges on an  
18 interim basis effective January 1, 2016. The specifically assigned charges proposed  
19 in the Amended Application are \$1,690,896. This compares to 2015 Test Year  
20 annual revenue of \$684,312 from the specially assigned charges under the existing  
21 rate. Delay of approval of final GRA rates will create a net income deficiency of  
22 approximately \$84,000 per month, which is the difference between the \$684,312  
23 and the \$1,690,896. Hydro has recommended an alternate method for calculating  
24 specifically assigned charges which results in charges of \$1,136,686 (difference of  
25 \$554,210 recovered as common cost) as outlined in Undertaking 45.1 to Hydro's  
26 GRA. Should the Board approve this method in its final order, the net income

1       deficiency due to a delay in rates would still be approximately \$84,000 per month,  
2       but consisting of specifically assigned and common charges.

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4       The proposed base rates provide additional revenue of \$1.25 million to Hydro  
5       based on the 2015 Test Year forecast (see Attachment 1 to response to NP-NLH-  
6       005). The additional revenue resulting from Board approval of proposed interim  
7       rates on January 1, 2016 eliminates the requirement for this deficiency to be  
8       recovered from customers subsequent to the final GRA Order.