

- 1 Q. Schedule 4 of the Application provides the forecast RSP drawdown for Island  
 2 Industrial Customers. Why are 2016 rates so much greater than 2015 rates?  
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- 5 A. The 2016 RSP Surplus Adjustment rates provided in Schedule 4 of the Application  
 6 were calculated such that when applied to the base demand and energy rates,  
 7 there would be no change in the customer rates from that currently charged (i.e.  
 8 July 1 2015 interim rates). See Table 1 for the calculation of net base demand and  
 9 energy rates.

**Table 1: IIC Rates**

	<b>July 1 2015 Existing</b>	<b>Jan 1 2016 Proposed</b>
Base Demand (\$/kW)	7.35	8.38
Base Energy (cents/kWh)	4.044	4.069
RSP Adj Rate - Demand (\$/kW) <sup>1</sup>	(0.49)	(1.52)
RSP Adj Rate - Energy (cents/kWh)	(0.269)	(0.294)
Net Demand Rate (\$/kW)	6.86	6.86
Net Energy Rate (cents/kWh)	3.775	3.775

<sup>1</sup>The proposed RSP Surplus Adjustment demand charge rate is increasing by a materially higher percentage than the RSP Surplus Adjustment energy charge rate. This is because the proposed increase in the base demand rate is materially higher than the proposed increase in the base energy rate.