

1 Q. (Rates and Regulation Evidence page 4.7, lines 14 to 24)

2 Please confirm that the IC rates for which Hydro is requesting approval reflect 100%  
3 of the cost of service for the 2013 test year. What is the basis in this Province for  
4 setting IC rates at 100% of the cost of service? What is the policy in other regulated  
5 jurisdictions in Canada for setting IC rates and what percentage of costs are their IC  
6 rates collecting?

7

8

9 A. As shown in Exhibit 13, Schedule 1.2, Page 1, Line 4, Column 8, the proposed  
10 Revenue to Cost coverage for IC for the 2013 Test Year is 1.00.

11

12 The most recent Government direction on setting IC rates is found in *The Electrical*  
13 *Power Control Act, 1994* which states:

14

15 “3. It is declared to be the policy of the province that

16

17 (a) the rates to be charged, either generally or under specific contracts, for the  
18 supply of power within the province ...

19 (iv) should be such that after December 31, 1999 industrial customers shall  
20 not be required to subsidize the cost of power provided to rural customers in  
21 the province ...”

22

23 In the absence of further direction from Government, or approval of the Board, IC  
24 rates would be set to target 100% cost recovery.

1 Within the timeframe for response to this request for information the following  
2 information has been obtained on setting rates in other regulated jurisdictions in  
3 Canada:

- 4 • Nova Scotia targets Revenue to Cost Coverage Ratios of 95% to 105%;
- 5 • Manitoba Hydro has a 95% to 105% zone of reasonableness;
- 6 • In Alberta, ATCO Electric is proposing to continue the rate design approach  
7 that was used in the 2010 Distribution Tariff Application. One key  
8 component to this design approach is to maintain the revenue to cost ratios  
9 per rate class between the tolerance band of 95% to 105% subject to an  
10 increase of no more than 10%;
- 11 • British Columbia utilities target their customer classes to fall within a range  
12 of 95% to 105%;
- 13 • In Ontario, the Board recommended revenue to cost ratios range from 0.7  
14 for street lights to 1.8 for large commercial customers. For the Sub-  
15 Transmission class it is proposed to reduce the revenue to cost ratio from  
16 2.35 to 1.15. This is the higher end of the revenue to cost ratio proposed by  
17 the Board for large users; and
- 18 • In Saskatchewan, SaskPower rates will fall between the 0.95 and 1.05  
19 revenue to revenue requirement ratio for each system class, in accordance  
20 with industry standards. In 2002, the Saskatchewan Rate Review Panel  
21 accepted this as the appropriate industry standard and SaskPower has  
22 maintained this ratio for all customer classes.