

1 **Q. Impacts of Latest Oil Price Forecast**

2 (Re: Amended GRA) Please file an IIC class rate design with a similar structure to
3 that proposed, but based on the most recent oil price forecast with the energy
4 charge reflecting: 1) 100% of the marginal cost of energy averaged over the period
5 2015 through 2017; 2) 75% of the marginal cost of energy averaged over the period
6 2015 through 2017; and 3) 50% of the marginal cost of energy averaged over the
7 period 2015 through 2017.

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10 **A.** The current and proposed Island Industrial Customer (IIC) firm rate design consists
11 of a single demand charge applied to all Power on Order each month and a single
12 energy charge applied to all firm energy consumed. Non-firm energy is usually
13 priced at the cost of fuel at Holyrood. Hydro has calculated a firm service rate
14 comprised of a demand charge of \$8.38 per kW of billing demand per month and an
15 energy charge of 5.151¢ per kWh plus specifically assigned charges.

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17 Under the proposed structure, the only manner of increasing the energy price is to
18 reduce the demand charge. An energy price reflecting 75% or 100% on the marginal
19 cost of energy averaged over the period 2015 to 2017 would eliminate the demand
20 charge and provide over-recovery of total costs. A rate design reflecting 50% of the
21 marginal energy cost would result in a demand charge of \$1.77 per kW of firm
22 demand and an energy charge of 6.284¢ per kWh.

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24 The IIC rate structure was reviewed after Hydro's 2006 GRA, and a report entitled
25 "Review of Industrial Customers Rate Design" was submitted to the Board in 2008.

26 This report is included in Hydro's Amended Application as Exhibit 12. Hydro

1 requested that Lummus include this matter in their review (Exhibit 9) for this
2 proceeding.

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4 Hydro agrees with the recommendation in the Lummus report (Section 5 of Exhibit
5 9) to maintain the existing rate design to IIC at this time. Hydro is proposing to
6 review the IIC rate design after the proposed marginal cost study is complete and a
7 rate design review is undertaken.