

1 Q. (Reference interim rates approvals in Board Orders No. P.U. 17(2015) and No. P.U.
2 21(2015)) What is Hydro now proposing as a transition plan for bringing Island
3 Industrial Customer rates up to the full cost of supply determined by the 2015 test
4 year cost of service study consistent with Government Directive OC2013-089, as
5 amended?
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8 A. OC-2013-089 states that the RSP Surplus is to be used to fund the three-year phase-
9 in of rate increases for Island Industrial Customers (IIC). Stage one of the phase-in
10 occurred in September 2013 with an adjustment to the RSP rider for Teck Resources
11 and the removal of the RSP adjustment for the other IIC. The rate impacts of the
12 September 1, 2013 rate change were 22.4% increase for Teck and a 19.1% average
13 increase for the other IIC. In Order No. P.U. 21 (2015) the Board approved, on an
14 interim basis, a 10% increase in the base rate demand and energy charges to the IIC
15 and the creation of RSP Surplus Adjustment rates to limit the demand and energy
16 base rate increases to 2.7%.
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18 The rate increase required to implement full cost base rates can vary materially
19 depending on the approved test year fuel cost. Response to PUB-NLH-485 shows
20 that the proposed IIC base rate increase is 26.8% in the Amended Application
21 relative to the interim rates approved July 1, 2015. However, if the test year fuel
22 cost is set at the fuel price reflected in the July 1, NP RSP Adjustment, the proposed
23 IIC base rate increase would be 13.2%.
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25 It is anticipated that Hydro will make application for January 1, 2016 rates for IIC to
26 reflect an updated 2016 fuel rider price forecast and any required RSP recovery
27 adjustment in accordance with the RSP rules.

1 In Order No. P.U. 21 (2015), the Board approved RSP Surplus Adjustment factors of
2 (\$0.49[]) per kW to apply against the IIC firm demand charge and (0.269¢) per kWh
3 to apply against the IIC firm energy charge effective July 1, 2015. Hydro proposes to
4 update the RSP Surplus Adjustments at the time of implementation of final IIC base
5 rates resulting from the GRA. The revised RSP Surplus Adjustments will be
6 calculated to provide for the drawdown of the remaining IIC RSP Surplus balance at
7 the time of final rate implementation.

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9 The forecast RSP Surplus balance at December 31, 2015 is approximately \$3.0
10 million. An update to the RSP Surplus Adjustment factors, if implemented January 1,
11 2016, would result in an IIC RSP Surplus demand price adjustment of (\$0.93[]) per
12 kW and a IIC RSP Surplus energy price adjustment of (0.513¢) per kWh.

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14 It is anticipated that the RSP Surplus Adjustment factors for 2016 would be set to
15 zero effective September 1, 2016. Approval of this rate implementation approach
16 by the Board would result in IIC rates reflecting the full cost of supply effective
17 September 1, 2016 consistent with Government directive OC2013-089.