

1 **Q.** (Page 14, Lines 17 to 18): If the RSP load variation component is eliminated,
2 **how does Mr. Bowman propose that Hydro recover the difference between the**
3 **incremental rate revenue from increased sales and the incremental fuel cost of**
4 **serving the forecast load over the period 2013 Test Year to 2016?**

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6 A. Mr. Doug Bowman believes the elimination of the load variation component of
7 the RSP would promote improved load forecasting and rate design by Hydro. Improved
8 load forecasting would reduce the difference between actual and forecast load, while
9 improved rate design with a tail-block energy charge that reflects the marginal cost of
10 energy supply would provide better tracking of costs and revenues as has proven to be the
11 case with the NP two-block energy rate design. If Hydro does not improve load
12 forecasting and rate design, Hydro could recover the difference between the incremental
13 rate revenue from increased sales and the incremental fuel cost of serving the forecast
14 load by filing a GRA. Significant differences between revenues and costs should prompt
15 a GRA filing as it can have serious repercussions relating to fairness and the ability of a
16 utility to maintain its financial integrity. The fact that seven years have passed since the
17 last GRA provides an excellent example. Hydro filed an Interim Rates Application on the
18 basis that if it *“is unable to implement a change in rates in a timely manner, it will be*
19 *deprived of the opportunity to earn a just and reasonable return on rate base”* (see
20 November 18, 2013 cover letter to Interim Rates Application). Further, the long period
21 between GRAs coupled with the large variation between forecast and actual load resulted
22 in the IC rate freeze in 2008 and the \$37.6 million subsidy conveyed by NP customers to
23 the ICs (RSP-CA-NLH-12). As Hydro states in PUB-NLH-74 *“Frequent rate referrals*
24 *have the advantage of ensuring that costs, deferral accounts, rate design and other*
25 *matters are reviewed at appropriate intervals”*, and later in the same response *“a three-*
26 *year period between GRAs may generally be appropriate”*.