1 Q. [InterGroup Consultants Testimony, page 12, lines 25-26]. If the Industrial
2 Customers are to be brought to full cost of service in the 3 year transition period
3 required by OC2013-089, what percentage increases per year would InterGroup
4 Consultants suggest as an alternative to Hydro's proposal in the Application?

5 A. InterGroup does not read the OIC to, in any way, require that rates "be brought to
6 the full cost of service" over 3 years, only that rates must transition to a new Board
7 approved level. There is no apparent OIC reference to cost of service in any
8 manner.

9 InterGroup notes that with respect to rate design methodologies, collection of the
10 full revenue requirement is one basic rate design objective, but must be balanced
11 with other rate design objectives such as achieving rate stability. There is no
12 absolute requirement in regulatory theory that rates must secure 100% cost of
13 service for each class at the expense of drastic rate shock. For example,
14 InterGroup has worked on many rate design cases where certain groups of
15 customers have the rate impacts on their class "capped" at a given level that fails
16 to achieve 100% revenue:cost levels (sometimes 90-110% is considered
17 sufficiently within a "zone of reasonableness") while other customer classes who
18 are not experiencing rate shock are provided with increases that raise their
19 revenue:cost ratios above 100%.

20 Notwithstanding the above, InterGroup has not recommended at this time in the
21 current GRA that rates for industrial customers should target less than 100%
22 revenue:cost ratio. The main purpose of the InterGroup section cited is that a
23 strong presumption in favour of cost-of-service methods that help offset the
24 massive rate shock to industrial customers should guide the current GRA, lest the
25 rate impacts be larger than are truly necessary. A further option which seeks to
26 achieve a revenue:cost coverage ratio that gets the class within the zone of
27 reasonableness, but not precisely to 100%, could similarly be considered as an
28 option.