

1 Q. Application, July 2013 Rate Stabilization Plan Evidence, page 1/17-19, Hydro
 2 states that: "Funding of \$49 million will be drawn from the January 1, 2007 to
 3 August 31, 2013 accumulated load variation component of the RSP (RSP Surplus)
 4 and will be credited to the IC RSP on August 31, 2013 for the IC rate phase-in;"

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6 Please provide details of the calculations that show how the \$49 million from the
 7 January 1, 2007 to August 31, 2013 accumulated load variation component of the
 8 RSP will be allocated to the Industrial Customer RSP throughout the three-year
 9 phase-in of rates.

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12 A. Based on the 2013 Test Year, the three-year phase-in would be allocated as
 13 follows:

14	August 31, 2013 RSP Balance Owing from IC	\$39.0 million¹
15	September 1, 2013 to December 31, 2013 Teck shortfall	
16	24,000,000 kWhs x 1.111 ¢ /kWh	\$0.3 million
17	January 1, 2014 to December 31, 2014	
18	Revenue at Proposed Rates	\$29.0 million ²
19	IC Billings at Phase-in Rates	\$22.0 million ³ \$7.0 million
20	January 1, 2015 to August 31, 2015	
21	Revenue at Proposed Rates	\$18.7 million ⁴
22	IC Billings at Phase-in Rates	\$15.9 million ⁵ <u>\$2.8 million</u>
23	Total	<u>\$49.1 million</u>

¹ July 2013 Rate Stabilization Plan Evidence, Page 6, Table 1

² 2013 General Rate Application, Page 4.16, Table 4.4

³ Based on 2013 Test Year billing determinants at proposed January 1, 2014 and September 1, 2014 phase-in rates

⁴ Based on 2013 Test Year billing determinants at proposed 2013 Test Year rates

⁵ Based on 2013 Test Year billing determinants at proposed January 1, 2015 phase-in rate

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1 The actual drawdown of the \$49 million will differ and will not be known until
2 August 31, 2015 as it will be affected by a number of variables over the phase-in
3 period including the following:

- 4 • Actual IC RSP balance as at August 31, 2013;
- 5 • Final Board-approved IC rates based on the 2013 Test Year;
- 6 • IC load changes over the phase-in period; and
- 7 • Financing over the phase-in period.

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9 The total balance in the IC RSP at August 31, 2015 will also be affected by a
10 number of variables over the phase-in period including the following:

- 11 • Actual IC RSP balance as at August 31, 2013;
- 12 • Distribution of the RSP hydraulic balance, forecast to be \$47 million
13 as at August 31 2013, to NP and IC;
- 14 • Final Board-approved rates based on the 2013 Test Year;
- 15 • NP, IC and Island Interconnected Rural customers' load changes
16 over the phase-in period;
- 17 • Hydrology changes over the phase-in period;
- 18 • Fuel price changes over the phase-in period;
- 19 • Financing over the phase-in period;
- 20 • Power purchase volumes and prices; and
- 21 • Holyrood operating efficiency, and other factors.

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23 In its Application "for approval of the Rate Stabilization Plan rules and
24 components of the rates to be charged and to Industrial Customers", Hydro is
25 proposing in the RSP Surplus section, Schedule B, that at the end of the phase-in
26 period any remaining balance in the IC RSP Surplus Balance will be added to the
27 IC plan then in effect.