

- 1 Q. Please provide revised versions of Tables 2 and 3 (**page 9, 2015 Interim Rates**
2 **Application Evidence**) and a comparison of the rates being sought for
3 Newfoundland Power (NP) and IC for March 1, 2015 for each of the following
4 scenarios:
- 5 a. Hydro's proposal per the January 28, 2015 Interim Rate Application.
6 b. An alternative scenario where only \$2.1 million of the load variation credit is
7 allocated to the IC and no other allocation of the deferred load variation is
8 undertaken at this time (i.e., the remainder stays as a segregated, deferred
9 balance in the RSP). All other proposals as per Hydro's interim rate application.
10 c. An alternative scenario where no allocation of the load variation credit in the
11 RSP is undertaken at this time.

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14 A. Under scenario (b), the proposed 2015 Test Year base rates for the Industrial
15 Customers (IC) and Newfoundland Power (NP) would be consistent with the 2015
16 Interim Rates Application.¹ The proposed IC base rate phase-in would also not be
17 impacted. Modifying Hydro's proposal with regard to the deferred load variation
18 balance would impact the NP July 1, 2015 RSP adjustment rate which Hydro is
19 currently proposing to suspend until the Board rules on final rates.²

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21 Under scenario (c), the proposed 2015 Test Year base rates for the IC and NP would
22 also be consistent with the 2015 Interim Rates Application. However, the proposed
23 IC phase-in approach would need to be modified to account for the additional \$2.1

¹ See Section 2.5, page 10 and Section 3.2, page 12 and 13 of the 2015 Interim Rates Application for a summary of proposed 2015 Test Year base rates for the Island IC and NP, respectively.

² An additional \$33 million transfer from the deferred load variation at year-end 2014 would permit the existing RSP recovery adjustment to continue until the end of June 2016 without resulting in a large balance owing from NP customers.

million balance owing at the end of 2014.³ For the purpose of this requested scenario, Hydro has assumed the recovery of the \$6.8 million balance owing from the IC at the end of 2014 from the IC RSP Surplus. The remainder of the IC RSP Surplus to is applied to fund RSP Surplus Credit Adjustments of 70% for the period March 1, 2015 to December 31, 2015 and 30% for the period January 1, 2016 to August 31, 2016.

See the revised versions of Tables 2 and 3 reflecting the requested scenario.

Table 2 – Revised Interim Rates Application - IC Rate Impacts⁴			
Scenario	March 1, 2015	January 1, 2016	September 1, 2016
No disposition of load variation	5.5%	6.9%	4.8%

Table 3 - Revised Forecast IC RSP Surplus Drawdown Balances (\$millions)			
Scenario	March 1, 2015	January 1, 2016	September 1, 2016
No disposition of load variation	4.2	1.1	0.2

In the 2015 Interim Rates Application, Hydro has proposed disposition of the \$35.5 million load variation balance at the end of 2014 using an energy ratio allocation. Hydro believes it is reasonable to apply the \$2.1 million IC portion of this balance to reduce the customer rate impact of recovering the \$6.8 million RSP current balance due from IC. The 2015 Interim Rates Application reflects this proposal.

³ In the Interim Rates Application, Hydro has proposed to use \$2.1 million from the deferred load variation balance to offset a portion of the \$6.8 million IC RSP balance owing at the end of 2014.

⁴ Teck Resources is scheduled to close operations in 2015.

1 Board approval of the proposed disposition of the segregated RSP load variation
2 component, effective December 31, 2014, would reduce the IC RSP current balance
3 to \$4.7 million due from customers (i.e., \$6.8 million less \$2.1 million). The
4 remainder of the \$35.5 million segregated RSP load variation balance would flow
5 through the RSP for disposition to retail customers, resulting in a credit of
6 approximately \$33 million to the NP RSP current balance. This credit balance
7 transfer of \$33 million, effective year-end 2014, would permit the existing RSP
8 recovery adjustment to continue until the end of June 2016 without resulting in a
9 large RSP balance owing from customers. This approach supports the proposed
10 suspension of the NP RSP adjustment scheduled for July 1, 2015.