

1 Q. (Interim Rates Evidence, page 8, lines 12-23)
2 Hydro suggests that if interim rates are not approved, ICs will see an average rate
3 increase of 36.2 % on January 1, 2014 owing to the RSP. Please provide further
4 explanation of this scenario and what might be done to mitigate the rate increase if
5 interim rates are not approved for implementation on January 1, 2014.

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8 A. IC rates are currently set on 2007 cost of service based rates reflecting 2007 fuel
9 prices. Hydro's GRA requested new rates effective January 1, 2014 with fuel costs
10 reflecting 2013 fuel prices. It was on the basis of this timing of rate implementation
11 and the 2013 fuel price level that resulted in the amount of \$49 million being
12 allocated to IC from the RSP Surplus. Further, Section 5 of OC2013-089 states as
13 follows:

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15 *Notwithstanding Items 1) through 4) above, effective January 1, 2014,
16 the Island industrial customers will be subject to Rate Stabilization Plan
17 rate changes in accordance with the Board of Commissioners of Public
18 Utilities-approved methodology;*

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20 One of the overall purposes of OC2013-089 is to smooth the phase in of IC rates
21 over three years. This directive also anticipated a fuel rider being applied to IC rates
22 effective January 1, 2014 with reference to 2013 fuel prices. Thus, having a fuel
23 rider calculated with reference to 2007 fuel prices for implementation effective
24 January 1, 2014 would not have been the contemplated in Section 5 of the
25 Government directive and would result in a significant increase to IC rates.

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1 Having rates become effective January 1, 2014; basing fuel on the 2013 price level;
2 and calculating a 2014 fuel rider with the 2013 fuel price level in base rates, are all
3 integral to Government's rates policy direction and, in Hydro's view, should not be
4 altered.