

1 Q. (Response to IR-NP-NLH-29)

2 Would it be possible to modify the approach outlined in IR-NP-NLH-29 to address
3 only the issue relating to the Industrial Customer rates; that is, the rate increase on
4 January 1, 2014 owing to the normal operation of the RSP and initiation of the draw-
5 down of the RSP surplus balance to fund the IC rate phase in? In this regard, please
6 comment on the effectiveness of the following approach in addressing the IC rates
7 issue (this approach is a modification of the approach outlined in IR-NP-NLH-29).

8 Deferral Mechanism

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- Creation of a Deferral Account; and
 - Recovery of funds in the Deferral Account to be decided by the Board in its
- 11 Order relating to the 2013 GRA.

12 Rate Stabilization Plan

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- Commencing January 1, 2014, RSP calculations will reference the 2013 Test
 - 14 Year, on an interim basis;
 - The normal IC RSP adjustment rate would be effective January 1, 2014, and
 - 16 would result in an increase of approximately 3.4% as indicated in IR-IC-NLH-
 - 17 4, Attachment 1. Hydro will apply for this in January 2014 in keeping with
 - 18 the normal operation of the RSP;
 - Implementation of Hydro 's proposed methodology effective January 1,
 - 20 2014 for funding the phase-in of IC rates using the IC RSP Surplus, on an
 - 21 interim basis;
 - Commencing January 1, 2014, the existing NP RSP Fuel Price Projection rider
 - 22 of 1.634 cents/kWh would be applied to the Deferral Account rather than
 - 23 the RSP, until approval of final rates; and
 - Continuation of the existing NP RSP adjustment related to its current plan.
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26 2014 Base Rates

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- Approval of Hydro's proposed 2013 Test Year base rates and phase-in rates for

1 the ICs on an interim basis.

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4 A. The specification in the request for information that “commencing January 1, 2014,
5 RSP calculations will reference the 2013 Test Year, on an interim basis” results in a
6 requirement that both IC and NP base rates be implemented either as interim rates
7 or effectively implemented through a deferral account. It is necessary that, in order
8 to allocate load, hydraulic production and fuel price variations in the RSP between
9 actual and Test Year values fairly, all components of the RSP must be based on a
10 standard set of assumptions. This includes, for example, the Test Year monthly fuel
11 prices, customer load, hydrology production, fuel conversion factor, and NP and IC
12 tail block energy rates.

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14 In the response to this RFI it is assumed that IC rates are implemented on an interim
15 basis and NP rates are implemented by means of a deferral account. In this regard,
16 this scenario is similar to Hydro’s response to IR-NP-NLH-029 with the exception
17 that Isolated Systems – Government Departments and Labrador Interconnected
18 Rural customers’ rates are not affected as was the case in response to IR-NP-NLH-
19 029. Please refer to the table below for what, in Hydro’s view, is a summary of the
20 requested scenario in a format similar to that shown in response to IR-NP-NLH-029.

| Proposed Rate Implementation | | | | |
|---|--|---|---------------------------------------|---|
| Customer Class | RSP Impacts | Base Rate Impacts | Customer Rate Impacts January 1, 2014 | Effect on Hydro |
| IC | Normal January 1, 2014 implementation | January 1, 2014 Interim base rate and phase-in rate implementation ¹ | Estimated 3.4% increase due to RSP | Opportunity to earn its return in line with OC 2013-089 and OC 2009-063 |
| NP ² | Existing fuel rider to be applied to the deferral account effective January 1, 2014 ³ | Deferral of difference between 2013 Test Year rates and existing rates ⁴ | No Impact | Opportunity to earn its return in line with OC 2009-063 |
| Isolated Systems – Government Departments | N/A | No Impact | No Impact | No Impact ⁵ |
| Labrador Interconnected Rural Customers | N/A | No Impact | No Impact | No Impact ⁶ |

¹ Difference between base rate and Phase-in rate to be offset by funding from the IC RSP Surplus per OC 2013-089, as amended.

² Includes impacts on Hydro's Rural Customers other than those specified below.

³ As the Deferral Account is calculated using 2013 Test Year base rates which include the 2013 Test Year fuel price, the collection of NP's existing fuel rider (which is based on the 2007 Test Year) should be applied against the Deferral Account.

⁴ RSP calculations referencing the 2013 Test Year requires implementation of NP and IC 2013 Test Year base rates.

⁵ No impact in relation to Hydro's Interim Rates Application.

⁶ No impact in relation to Hydro's Interim Rates Application.