

1 Q. Does Hydro agree that the approved test year revenue requirement by system and
2 customer class (that will result from Hydro's General Rate Application) provides a
3 reasonable basis for allocation of a 2014 revenue shortfall deferral account balance
4 among customer classes? If not, why not.

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7 A. If a deferral and recovery mechanism is approved by the Board as a result of
8 Hydro's present Application, the revenue shortfall will be able to be calculated by
9 rate class. It is Hydro's proposal that the revenue shortfall would then be allocated
10 and collected from the customer classes who otherwise would have paid these
11 revenues had the proposed rates been approved. As is pointed out in Hydro's
12 evidence, the regulatory deferral mechanism is not Hydro's preferred option since
13 there are RSP implications that make this option more complex and it would
14 possibly result in a significant IC rate increase on January 1, 2014, preventing a
15 smooth phase-in of IC rates.