

1 Q. Further to response to Request for Information IR-CA-NLH-4 in which Hydro
2 indicates it is revising its request for a rate increase for domestic and general
3 service customers on the Island Isolated System and Labrador Isolated System,
4 please provide all revisions to the pre-filed evidence to reflect the revised interim
5 rate request.

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8 A. Please see IR-NP-NLH-034 Attachment 1. It should be noted that this revision
9 resulted in no material changes in Table 1.

1 **5.0 INTERIM RATES REQUEST**

2 On July 30, 2013, Hydro filed its GRA requesting new rates effective January 1, 2014. This
3 Application requests that those rates become effective on that date on an interim basis for
4 all customers, except for those customers on the Labrador Interconnected System⁵. This
5 Application also requests interim approval of the RSP rules, included as Schedule B to the
6 Application, which are necessary to facilitate the funding of the phase in of IC rates from the
7 IC RSP Surplus amount.

8 Hydro requests interim rates in order to have the opportunity to earn a return on rate base
9 that is closer to that which results from the Government directed ROE for the 2013 Test
10 Year. For example, Hydro's forecast 2014 RORB, estimated to be 7.00% if interim rates are
11 not implemented until March 1, 2014, is well below the lower end of the approved range of
12 return of 7.29%.

13 Additionally, based on Hydro's GRA filing, rates for NP customers, and thus Rural Island
14 Interconnected customers, are forecast to decrease by 3.6%⁶. The implementation of
15 interim rates on January 1, 2014 would achieve both an earlier rate decrease for customers
16 as well as a more appropriate return for Hydro.

17 With regard to IC rates, Hydro proposes an increase of 58.9%⁷ effective January 1, 2014.
18 However, based on the Government directives⁸, new IC rates are to be phased in over a
19 three-year period with funding drawn from the Rate Stabilization Plan Surplus. Government
20 directive OC2013-089, as amended, s. 2), directed the Board as follows:

21 *"On August 31, 2013 the Island industrial customers' Rate Stabilization Plan will*
22 *be credited with \$49 million, the estimated Rate Stabilization Plan amount*

⁵ The 2007 deferred rate increase (OC2007-304) for Isolated Rural Domestic and General Service customers will continue in effect since the application for interim rates is not for "all" customers, which is a condition specified in OC2012-329.

⁶ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules. As well, this stated decrease is calculated using 2014 forecast billing determinants rather those used in the 2013 Test Year as was previously the case. Refer also to Appendix B.

⁷ Refer to Appendix B.

⁸ Related Government directives are included in Appendix C.

- 1 As shown in Table 3¹¹, if the interim rates Application is approved, excluding Government
 2 Departments, all retail customers on the Island Interconnected and Isolated Systems and
 3 the L'Anse au Loup System will receive a decrease.

4 **Table 3 – Proposed Rate Changes January 1, 2014**

Rate Class	2014 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider
ISLAND INTERCONNECTED	
Newfoundland Power (NP) wholesale rate impact	-5.4%
Estimated end customer rate impact	-3.6%
Estimated Rural Customer rate impact	-3.6%
Industrial Customers (IC)	58.9%
ISLAND ISOLATED SYSTEMS	
Domestic	-3.6%
General Service 0 - 10 kW	-3.6%
General Service Over 10 kW	-3.6%
Street and Area Lighting	-3.6%
Government Departments	
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
LABRADOR ISOLATED SYSTEMS	
Domestic	-3.6%
General Service 0 - 10 kW	-3.6%
General Service Over 10 kW	-3.6%
Street and Area Lighting	-3.6%
Government Departments	
Domestic	17.7%
General Service 0 - 10 kW	22.0%
General Service Over 10 kW	27.5%
Street and Area Lighting	21.4%
L'ANSE AU LOUP SYSTEM	
Domestic	-3.6%
General Service 0 - 10 kW	-3.6%
General Service Over 10 kW	-3.6%
Street and Area Lighting	-3.6%

¹¹ Customer rate impacts have been updated to reflect 2014 billing determinants and the January 1, 2014 implementation of the fuel rider for Newfoundland Power. Further details on these two changes are shown in Appendix B.

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Hydro believes that its Application for the implementation of interim rates, effective January 1, 2014, is a reasonable and equitable proposal for the following reasons:

- Hydro is currently forecasting its 2014 RORB to be below the lower end of its approved range of return on rate base and interim rates approval will provide Hydro the opportunity to earn a return on rate base that is closer to that which results from the Government directed ROE for the 2013 Test Year;
- The vast majority of retail customers affected by this Application will receive a decrease in their electricity bills effective January 1, 2014;
- If new base rates for IC are approved on January 1, 2014, as was contemplated in the IC rate phase in directed by Government, it will avoid a significant rate increase as a result of the RSP adjustment; and
- If it is determined that excess revenue has been earned by Hydro as a result of an interim rates implementation, the Board may order, pursuant to Section 75(3) of the Act, that customers of Hydro receive a refund.

Hydro is specifically proposing that the following be approved, on an interim basis:

- NP base rates based upon Hydro's 2013 GRA;
- A revised NP fuel price projection based upon Section D of the RSP rules and Hydro's calculation of that revised fuel rider as shown in Appendix F;
- Industrial Customers' base rates based upon Hydro's 2013 GRA;

Interim Rates Evidence

Rate Class	2013 Increase (Decrease) using 2013 Billing Determinants ⁽¹⁾	2013 Increase (Decrease) using 2014 Billing Determinants ⁽²⁾	2013 Increase (Decrease) using 2014 Billing Determinants and NP January 1, 2014 Fuel Rider ⁽³⁾
ISLAND INTERCONNECTED			
Newfoundland Power (NP) wholesale rate impact	-4.8%	-3.7%	-5.4%
Estimated end customer rate impact	-3.2%	-2.5%	-3.6%
Estimated Rural Customer rate impact	-3.2%	-2.5%	-3.6%
Industrial Customers (IC)	73.1%	58.9%	58.9%
ISLAND ISOLATED SYSTEMS			
Domestic	0.9%	-2.5%	-3.6%
General Service 0 - 10 KW	11.6%	-2.5%	-3.6%
General Service Over 10 KW	11.5%	-2.5%	-3.6%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
General Service 0 - 10 KW	22.0%	22.0%	22.0%
General Service Over 10 KW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
LABRADOR ISOLATED SYSTEMS			
Domestic ⁽⁴⁾	0.9%	-2.5%	-3.6%
General Service 0 - 10 KW	11.6%	-2.5%	-3.6%
General Service Over 10 KW	11.5%	-2.5%	-3.6%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
Government Departments			
Domestic	17.7%	17.7%	17.7%
General Service 0 - 10 KW	22.0%	22.0%	22.0%
General Service Over 10 KW	27.5%	27.5%	27.5%
Street and Area Lighting	16.8%	21.4%	21.4%
L'ANSE AU LOUP SYSTEM			
Domestic ⁽⁵⁾	-3.2%	-2.5%	-3.6%
General Service 0 - 10 KW	-3.2%	-2.5%	-3.6%
General Service Over 10 KW	-3.2%	-2.5%	-3.6%
Street and Area Lighting	-3.2%	-2.5%	-3.6%
⁽¹⁾ Rate changes quoted in Hydro's GRA filing reflected the % change in rates resulting from the 2013 Test Year and using the related 2013 billing determinants, that is, using the same number of customers, energy consumption and demands as was used in the cost of service and rate design process. This calculation of rate changes reflects a static view of the the effect of the 2013 Test Year with respect to billing determinants.			
⁽²⁾ Given that Hydro's 2014 forecast billing determinants are different based on present 2014 forecasts of number of customers and load, the rate changes shown in this column have been updated to reflect a prospective view of the rates, based on the 2013 Test Year, and as requested by Hydro in its GRA filing.			
⁽³⁾ Includes the January 1, 2014 fuel rider adjustment calculated in accordance with Section D. 1 of the RSP rules.			
⁽⁴⁾ With the annual Northern Strategic Plan subsidy, domestic customers in coastal Labrador pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall <u>decrease</u> for domestic coastal Labrador customers, after the subsidy is considered, will be <u>1.7%</u> .			
⁽⁵⁾ With the annual Northern Strategic Plan subsidy, residential customers in the L'Anse au Loup System pay the equivalent electricity rates as Labrador Interconnected customers for their basic electricity needs. The overall decrease for domestic L'Anse au Loup customers, after the subsidy is considered, will be <u>2.7%</u> .			