

1    Q.    Explain whether or not Hydro's proposals in the Interim Rate Application may be  
2    considered discriminatory.

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5    A.    In Hydro's view, Hydro's proposals in the Interim Rate Application are not unjustly  
6    discriminatory. The legislative requirements as to non-discrimination in ratemaking  
7    are set out in the following.

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9    Subparagraph 3(a)(i) of the Electrical Power Control Act, 1994 (EPCA) states:

10            3.    It is declared to be the policy of the province that  
11                    (a)    the rates to be charged, either generally or under specific  
12                            contracts, for the supply of power within the province  
13                            (i)    should be reasonable and not unjustly discriminatory,

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15            Subsection 73(1) of the Public Utilities Act (PUA) states:

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18            73.    (1) All tolls, rates and charges shall always, under  
19                    substantially similar circumstances and conditions in respect of  
20                    service of the same description, be charged equally to all persons  
21                    and at the same rate, and the board may by regulation declare what  
22                    shall constitute substantially similar circumstances and conditions.

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24            Hydro interprets Section 73 of the PUA to mean that the Board shall always set the  
25            same rates to all substantially similar persons whose rates are designed in the same  
26            cost of service. In this jurisdiction, there are multiple costs of service so  
27            substantially similar customers whose rates are set under different cost of service  
28            studies have different rates.

1        The power policy provisions of the EPCA require rates to be set that are “reasonable  
2        and not unjustly discriminatory”. On a theoretical level, perhaps no ratepayer pays  
3        precisely the exact cost of service for that customer. It is not a perfect science and  
4        judgments, compromises and simplifying assumptions are necessary if ratemaking is  
5        going to be practicable. The ratemaking process must be subject to, and reflective  
6        of, the specific facts and context of the case before the Board.

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8        In the present case, Hydro is proposing that one cost of service group, those served  
9        from the Labrador Interconnected System, not be included amongst the customers  
10       to be affected by an interim order as to rates. This is just and reasonable in the  
11       present circumstances because the immediate rate impacts that arise from Hydro’s  
12       General Rate Application for this group are relatively larger increases (in proportion  
13       to their present rates) than apply to the other similar customers. An interim rates  
14       application is, by its very nature, a practical solution made available to the Board in  
15       the PUA to assist applicant utilities where a temporary order is required for a  
16       particular purpose.