

1 Q. Assuming that, as of December 31, 2013, the Board orders that the rate changes  
2 resulting from the January 1, 2014 and July 1, 2014 Rate Stabilization Plan  
3 Adjustments be suspended until the final rates are established in the General Rate  
4 Application, provide a forecast of the overall impact on Hydro's 2014 rate of return  
5 on equity if Hydro is not permitted to defer and recover any shortfall in revenue  
6 that results if final rates are effective on July 1, 2014 and, alternatively, September  
7 1, 2014. Include a detailed explanation and rationale.

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10 A. If final rates are not effective until July 1, 2014, and if Hydro is not permitted to  
11 defer and recover any shortfall in revenue, Hydro's 2014 rate of return on equity is  
12 estimated to be 4.08%. Delaying implementation of the final rates to September  
13 would result in further deterioration of the return on equity<sup>1</sup>. The impact of  
14 suspending the estimated January 1, 2014 fuel rider<sup>2</sup> for the IC of 14.85 mills/kWh,  
15 based on 2014 forecast energy sales, is estimated to be \$3.8 million<sup>3</sup> (to June 2014)  
16 and \$5.4 million (to August 2014) accumulated as owing to Hydro from the  
17 Industrial Customers in the RSP.

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19 It is noted that the Government directive states "effective January 1, 2014, the  
20 Island industrial customers will be subject to Rate Stabilization Plan rate changes in  
21 accordance with the Board of Commissioners of Public Utilities-approved

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<sup>1</sup> Hydro does not have a detailed analysis on this scenario within the time frame for the responses to the Interim Rates Application RFIs but the ROE would likely be in the range of 2% to 3%.

<sup>2</sup> Per October 15, 2013 letter to the Board re: Rate Stabilization Plan Fuel Price Projection – Industrial Customers

<sup>3</sup> Hydro's assumption on the IC fuel rider suspension is that this RSP adjustment is calculated and approved by the Board (and both NP and IC are charged fuel riders) but then suspended and the IC fuel rider amount accumulates in the RSP as owing to Hydro.

- 1 methodology;" and such large cumulative amounts were not contemplated as
- 2 owing to Hydro from the IC RSP as part of the phase-in of rates.