

1 **Q. In Mr. Larry Brockman's evidence filed in Hydro's 2006 GRA with respect to the**
2 **credit balance in the RSP Hydraulic component, he stated on page 23, "From an**
3 **intergenerational equity perspective it is desirable to clear this credit balance in as**
4 **short a time frame as reasonable without creating rate volatility."**

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6 **The RSP Hydraulic component credit balance as of the end of April 2014 is**
7 **approximately \$75 million. Does Mr. Brockman believe it is preferable to use this**
8 **credit balance to offset the 2014 net income shortfall to be determined by the Board**
9 **or to allow the credit balance to remain in the RSP and have the Board approve**
10 **higher base rates for 2015 that reflect a three-year recovery of the 2014 net income**
11 **shortfall. Please provide the reasons for your response.**

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13 A. Mr. Brockman believes that to use the RSP Hydraulic component credit balance to reduce
14 or eliminate the amount of shortfall for 2014 that would otherwise be recovered in future
15 rates is preferable to increasing future rates to recover the shortfall.

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17 Under the principle of intergenerational equity, ratepayers in a given period should pay
18 only the costs necessary to provide them service in that period. The credit in the RSP
19 Hydraulic reserve represents amounts customers paid in excess of costs reflected in
20 current rates as set in Hydro's most recent test year. The customers who paid these
21 amounts are those that were customers prior to and including April 2014.

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23 Assuming that the evidence before the Board showed that the 2014 net income shortfall
24 was related to costs that were necessary to provide service during 2014, the customers
25 who were provided service during 2014 are substantially the same customers who paid
26 the excess costs reflected by the credit balance. So, from an intergenerational equity
27 perspective, Mr. Brockman would support the alternative of using the RSP Hydraulic
28 component credit balance to offset the 2014 net income shortfall determined by the Board
29 to exist over the alternative of a 3-year future recovery of the 2014 net income shortfall.