

1 Q. Why is it necessary at this time that the Board approve rate changes for the Island
2 Industrial customers to be effective January 1, 2014, July 1, 2014 and September 1,
3 2014?

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6 A. The base rates currently in effect for the energy charge to the Island Industrial
7 Customers does not reflect the increased Holyrood fuel cost that has occurred since
8 the 2006 GRA. No RSP fuel rider is in effect to reflect the increased fuel price from
9 \$55 per bbl. to more than \$100 per bbl. As a result, there is currently a balance
10 accumulating in the IC RSP resulting from a shortfall in fuel cost recovery for 2014.

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12 The proposed rate changes effective January 1, 2014 and September 1, 2014
13 provide for the recovery of the fuel costs accumulating in the RSP for the IC through
14 the use of the IC RSP Surplus to offset the IC fuel rider that would be in effect for
15 2014 under existing RSP rules. This approach is consistent with the Government
16 directive to phase-in rate increases to the IC.

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18 The proposed rate change for July 1, 2014 is to provide recovery of the balance in
19 the IC RSP effective December 31, 2014.