

1 Q. (RSP Application, RSP Evidence Table 4, page 12) Please comment on the fairness of
2 the rate increases proposed in Table 4 from the perspective of Vale whose
3 proposed rate increases are far from equal over the three year phase-in period, and
4 Praxair which had yet to take delivery of power by September 1, 2013.

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7 A. The September 1, 2013 rate for Vale has been directed by OC2013-089, as
8 amended, and the 2015 rate will be that approved by the Board for Hydro's GRA.
9 While it is true that Vale will be paying the standard IC rate on September 1, 2013,
10 which effectively arises from the removal of the existing RSP credit, it is clear that
11 the rate achieved through the removal of the RSP credit properly tends towards full
12 cost recovery, albeit further increases will be required to achieve that rate. The
13 rate setting goal of fairness is subject to much interpretation and is contextual. To
14 many, fairness is achieved when all parties are paying the costs properly allocated
15 to them.

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17 As can be seen in Hydro's evidence in this application and in its GRA, the base rates
18 that Hydro is proposing for 2013, which reflect cost recovery, are much higher than
19 the rates proposed to be charged to any of the IC in this application. Under the
20 directive, the shortfall between the cost recovery rate and the amount applied for is
21 obtained by Hydro from that portion of the RSP referred to as the RSP Surplus.
22 Smooth rate increases over a period of years has the positive attribute of
23 gradualism. The directive appears to balance the application of this rate design
24 criterion with that of fair cost recovery.