

1 Q. (Re: October 2014 Evidence submitted as part of Application) It is stated on page 7
2 lines 9 to 15 that in 2014, Hydro has incurred not only the capacity-related costs
3 that are the subject of this Application, but also numerous other costs related to
4 the Board's Outage Inquiry that are not accounted for in existing rates. Hydro goes
5 on to say that it will be proposing a recovery mechanism for these additional costs
6 as part of the amended GRA filing that will be submitted to the Board this fall.
7 While there is little doubt that Hydro needs additional funds beyond what is
8 currently being recovered in rates, this was not enough to sway the Board in its
9 decisions on the Interim Rates Applications. How is this Application different from
10 Hydro's previous Interim Rates Applications and why should the Board approve
11 recovery of costs requested in this Application when it refused interim rate relief in
12 the previous Interim Rates Applications?

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15 A. In its most recent Interim Rates Decision (dated September 17, 2014), the Board
16 noted that the forecast revenue shortfall for 2014 is likely to be significantly
17 different than that set out in that application, which was based on the General Rate
18 Application evidence. The Board expressed concerns as to whether the evidence
19 filed in support of the Interim Rates Application continued to be relevant and
20 properly formed the basis for the approval of the requested revenue transfer.

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22 The circumstances with respect to this application and the extraordinary capacity-
23 related costs that were incurred to serve customers in 2014 are quite different.
24 Detailed evidence has been provided with respect to the specific capacity-related
25 supply cost variances (and offsetting fuel savings) that were incurred by Hydro in
26 January to March 2014. These are not forecast numbers, based on the original
27 General Rate Application filing, as was the case in the evidence supporting the

1 Interim Rates Applications. Rather, the figures provided in support of this
2 application are the actual net costs that were incurred by Hydro to provide service
3 to customers in extraordinary circumstances. This evidence supports the fact that
4 the specific costs of \$9,965,000 outlined in this application were incurred and are
5 not otherwise accounted for in Hydro's existing rates.

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7 Further, the financial analysis provided in Appendix B of the application has also
8 been updated to reflect actual 2014 revenues and expenses up to the end of May
9 and the most current projections for the remainder of the year. Therefore, in
10 contrast to the evidence filed in support of the Interim Rates Applications, this
11 evidence provides Hydro's most accurate and up-to-date view of Hydro's financial
12 circumstances and forecast revenue shortfall for 2014. Hydro submits that this
13 information provides a reasonable evidentiary basis consistent with good utility
14 practice to justify approval of deferred recovery of the increased 2014 capacity-
15 related costs in the circumstances.