

1 Q. **Reference: Page 3, lines 16-23**

2 In its application for interim rates for 2018 for Industrial Customers approved by
3 Order No. P.U. 7(2018) Hydro did not request a change in the RSP rules to reflect a
4 lower number of barrels of No. 6 fuel to be used in the calculations of the fuel rider
5 but now proposes to change the RSP rules to allow the Board to order an alternate
6 forecast number of barrels to be used in the fuel rider calculation for both the
7 Utility and Industrial Customers. Does Hydro intend to apply for approval to adjust
8 the interim rates approved for Industrial Customers? If not, what are the
9 implications of using a different number of barrels of No. 6 fuel for the calculation
10 of the fuel rider for 2018 interim Utility and Industrial Customer rates? Please
11 explain in detail the consequences for the operation of the RSP and for 2018
12 industrial rates.

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15 A. Hydro does not intend to apply to revise the interim rates recently approved for
16 Island Industrial Customers. The Island Industrial Customer interim rates approved
17 effective April 1, 2018 included revised base rates, an updated Rate Stabilization
18 Plan (RSP) recovery adjustment and an updated RSP fuel rider.

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20 The RSP fuel rider for Island Industrial Customers is currently -0.024¢ per kWh
21 reflecting a \$0.69 cents per barrel difference between forecast 2018 No. 6 fuel price
22 of \$63.75 per barrel and the 2015 Test Year forecast No. 6 fuel cost of \$64.41 per
23 barrel. The approved Industrial Customer RSP fuel rider is forecast to credit the
24 customer class with approximately \$170,000 in 2018 or 0.4% of forecast annual
25 billings.

1 The consequence to the RSP of not using an updated projection of barrels of No. 6
2 fuel for establishing the RSP fuel rider for the Island industrial Customers in 2018 is
3 that the Island Industrial Customer RSP Current Plan balance at year-end 2018 to be
4 used in establishing Island Industrial Customer rates in 2019 will be approximately
5 \$57,000 different than it would otherwise be (approximately 0.1% of annual billings
6 under approved rates).¹ This difference would flow through in the calculation of the
7 RSP recovery adjustment rate to apply in 2019.

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9 Hydro notes that the magnitude of the fuel rider impact was materially less for
10 implementation of Island Industrial Customer rates than the projected impact for
11 implementation of a revised fuel rider for Newfoundland Power.

¹ The projected number of barrels of No. 6 fuel for the 2018 calendar year is approximately 800,000 barrels less than the 2.5 million barrels reflected in the 2015 Test Year. The \$57,000 impact is determined by multiplying 800,000 barrels by the \$0.69 per barrel fuel price variance and the 10.4% allocation to Island industrial Customers. Hydro notes that a calendar year is used in computing the RSP fuel rider for Island Industrial Customers versus a July 1 to June 30 period for Newfoundland Power, therefore the variance from the forecast 2015 Test Year number of barrels differs.