Q. (2017 GRA, Volume 1, page 1.12) It is stated (lines 4 to 12) "*In Order 73/15, Manitoba's Public Utilities Board approved an interim rate increase for Manitoba Hydro of 3.95%. The revenues from 2.15% of that rate increase are to be placed in a deferral account to mitigate expected rate increases from when the Bipole Transmission Reliability Project (Bipole III) comes into service in 2018/19. In Order 73/15, the Manitoba regulator stated that, "Because very significant rate increases will be needed at that time, the Board sees a compelling policy reason to gradually increase rates to avoid rate shock for consumers three years from now." The funds set aside in the Board-ordered deferral account will be used to smooth the significant rate increases that may otherwise be required when the Bipole III is completed, helping to mitigate the resulting rate shock.*" In the Manitoba application, was the revenue requirement based on the best available estimates and forecasts of costs and revenues for the given test year, and were the funds set aside to smooth future rate increases derived from a fixed percentage rate increase over and above the amount needed to generate the test year revenue requirement?

A. Based on Hydro's interpretation of Order 73/15, the funds set aside to smooth future rate increases were derived based on a fixed percentage rate increase over and above the amount determined to be required to provide reasonable cost recovery for Manitoba Hydro.