

1 Q. (Application for Approval to Defer the 2015, 2016 and 2017 Balances in the Isolated  
2 Systems Supply Cost Variance Deferral Account, the Energy Supply Cost Variance  
3 Deferral Account and the Holyrood Conversion Rate Deferral Account, April 13,  
4 2018 Letter to the Board) Hydro is proposing an effective rate increase for  
5 Newfoundland Power customers of 7.5% on July 1, 2018. In Hydro's opinion what is  
6 the maximum rate increase that can be implemented for these customers on  
7 January 1, 2019 without causing "rate shock"?

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10 A. The subject of "rate shock" has been addressed in two orders of the Board in recent  
11 history. As noted by the Board in Order No. P.U. 14(2017):

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*The annual rate impacts for retail customers associated with the operation of the RSP have historically been the range of +/- 10%, however, the estimated impact in July 2017 is much larger, with an estimated rate increase for retail customers in the order of 18-19%. The Board is very concerned about increases of this magnitude which are well outside of the normal range. The Board acknowledges that the estimated rate increase is a result of the normal operation of the RSP and that the last two annual RSP adjustments resulted in material decreases. However the estimated rate increase for July 2017 is such a significant increase that it may be argued that it would cause rate shock, despite the earlier rate decreases.*

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1           And in Order No. P.U. 7(2018):

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*In relation to the Labrador Industrial Transmission rate the Board notes that the proposed rate is 18% higher than current rates and results in a regulated billing impact of 13%. Further, the financial impact on IOC, the largest customer using this rate, is estimated to be \$618,156. The Board believes that the proposed increase in the Labrador Industrial Transmission rate is so high as to raise concerns in relation to rate shock.*

Based on these statements, Hydro would interpret the Board's direction to be that an end-consumer average rate increase in excess of 10% in a single period may raise concerns in relation to rate shock.