

1 Q. With reference to the responses to IC-NLH-113 through IC-NLH-115, please explain  
2 how Hydro is proposing to reflect the fuel [including fuel inventory] and other  
3 forecast differences if the 2018 interim rates are based on 2018 revenue  
4 requirement, while 2018 RSP is proposed to be operated using 2015 Test Year  
5 inputs [page 6.6 of Volume I, Chapter 6].

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7 Please provide detailed tables showing how the revenues and expenses are  
8 calculated in the response to NP-NLH-097 Attachment 1.

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11 A. In all cases, Hydro is requesting recovery of costs for the 2018 Test Year as filed.  
12 Differences in the timing of collection from customers as a result of interim rates  
13 and the operation of the Rate Stabilization Plan (RSP) impact revenue, fuel and,  
14 revenue deficiency<sup>1</sup> only.

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17 The return on fuel inventory is based on the forecast cost of fuel at the time of filing  
18 and is unaffected by the operation of the RSP.

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21 Hydro's response to NP-NLH-097, Attachment 1 illustrates how Hydro is proposing  
22 to reflect the fuel, including fuel inventory, and other forecast differences if 2018  
23 interim rates are based on the 2018 revenue requirement, while the 2018 RSP is  
24 proposed to operate using 2015 Test Year inputs. As highlighted in Hydro's  
response to NP-NLH-097, Attachment 1, there is no impact to revenue requirement  
because the RSP variances will be offset in the calculation of the revenue deficiency.

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<sup>1</sup> The revenue deficiency is proposed to be recovered from customers over 20 months commencing January 1, 2019 and ending August 31, 2020. The calculation of the final revenue deficiency and timing of recovery are subject to Board approval.

1 Hydro's response to NP-NLH-097, Attachment 1 shows the 2018 Test Year as filed,<sup>2</sup>  
2 Interim Rates for 2018<sup>3</sup> which assumes 2018 operates using proposed Test Year  
3 values as filed for 2018, and Interim Rates for 2018 operating the RSP using 2015  
4 Test Year inputs. In all cases, Hydro's Rate of Return on Rate Base (after revenue  
5 deficiency) is 5.73% and Net Income (after revenue deficiency) is \$31.013 million.

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7 Footnotes 1 to 3 and Hydro's response to NP-NLH-097, Attachment 1 provide  
8 references and calculations to support changes from the 2018 Test Year numbers  
9 filed.

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11 Also refer to Hydro's response to NP-NLH-119 which demonstrates no duplication in  
12 recovery from the operation of the Off-island Purchases Deferral Account and  
13 Hydro's other supply cost deferral accounts.

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<sup>2</sup> Please refer to Volume 1, Chapter 4, Schedule 4-1.

<sup>3</sup> Implementation of Interim Rates in 2018 would result in less revenue than requested in the application until the final ruling of the Board. This results in a reduction of \$22,578 in revenue and a corresponding increase in the revenue deficiency.