

1 Q. **Volume 1 (1st Revision), Chapter 5: Rates and Regulations**

2 In the same format as Table 5-1, please provide the required increase in customer
3 billings to recover 2018 and 2019 revenue requirement based on Hydro’s latest fuel
4 forecasts. (Volume I (1st Revision), Chapter 5: Rates and Regulations, Page 5.14,
5 Table 5-1)

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8 A. Please refer to Table 1 which reflects estimated required rate changes based on
9 Hydro’s latest No. 6 fuel forecast of \$63.75 and \$63.50 CDN per barrel for 2018 and
10 2019 respectively.

Table 1 – Required Increase in Customer Billings to Relative to Existing Customer Rates

Customer Class	2018 Test Year Increase Relative to July 1, 2017 Rates		2019 Test Year Increase Relative to July 1, 2017 Rates	
	\$ million	%	\$ million	%
Newfoundland Power	9.5	2.3%	20.2	4.9%
Island Industrial	(2.2)	-5.5%	(1.6)	-4.1%
Rural Labrador Interconnected	1.0	4.9%	2.0	10.0%
Labrador Industrial Transmission	0.9	19.7%	2.1	44.9%
Hydro Rural Government Diesel	0.2	7.8%	0.4	17.0%
Hydro Rural Other	0.9	1.6%	1.9	3.3%
Total	10.3		24.9	

11 In order to collect 2018 and 2019 Test Year costs under this scenario, Hydro will
12 require a substantial increase in base rate revenue from Newfoundland Power and
13 the Island Industrial Customers; however, this would be partially offset by the
14 expiry of the current Rate Stabilization Plan (RSP) fuel rider, as shown in Tables 2
15 and 3.

Table 2 – 2018 Required Increase Relative to Existing Rates

	2017 Existing Rates	2018 Test Year @ \$63.75	\$ Change	% Change	End- Consumer
Newfoundland Power					
Base Rate Revenue	433,182,342	481,804,936	48,622,594	11.8%	8.0%
RSP Fuel Rider	39,140,640	-	(39,140,640)	-9.5%	-6.4%
Other Riders	(59,642,880)	(59,642,880)	-		
Net Impact	412,680,102	422,162,056	9,481,954	2.3%	1.6%
Island Industrial Customers					
Base Rate Revenue	39,817,593	42,173,331	2,355,738	6.0%	
RSP Fuel Rider	4,537,500	-	(4,537,500)	-11.5%	
Other Riders	(4,915,020)	(4,915,020)	-		
Net Impact	39,440,073	37,258,311	(2,181,762)	-5.5%	N/A

Table 3 – 2019 Required Increase Relative to Existing Rates

	2017 Existing Rates	2019 Test Year @ \$63.50	\$ Change	% Change	End- Consumer
Newfoundland Power					
Base Rate Revenue	434,130,744	493,495,054	59,364,310	14.4%	9.7%
RSP Fuel Rider	39,201,792	-	(39,201,792)	-9.5%	-6.4%
Other Riders	(59,736,064)	(59,736,064)	-		
Net Impact	413,596,472	433,758,990	20,162,518	4.9%	3.3%
Island Industrial Customers					
Base Rate Revenue	40,408,696	43,412,523	3,003,827	7.5%	
RSP Fuel Rider	4,645,625	-	(4,645,625)	-11.6%	
Other Riders	(5,032,141)	(5,032,141)	-		
Net Impact	40,022,180	38,380,382	(1,641,798)	-4.1%	N/A

1 As noted above, Hydro requires a base rate increase from Newfoundland Power of
2 11.8% and 14.4% for 2018 or 2019 respectively (8.0% and 9.7% end-consumer), and
3 for the Island Industrial Customers base rate increases of 6.0% and 7.5% for 2018 or
4 2019 respectively.

1 However, a material portion of current customer billings relate to the RSP fuel rider,
2 reflecting a No. 6 fuel price of \$81.40 CDN per barrel. This rider, which collects
3 approximately \$39.2 million from Newfoundland Power and approximately \$4.6
4 million from Island Industrial Customers on an annual basis, is not recorded as
5 revenue by Hydro. Rather, these amounts are credited to the RSP deferral account
6 on Hydro's balance sheet. As such, the base rate increases required are forecast to
7 be partially offset by the expiry of the current fuel rider charge.

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9 Hydro notes that given the No. 6 fuel price forecast of \$81.40 CDN per barrel has
10 not materialized, there may be an opportunity to shift the current RSP fuel rider
11 recovery from an RSP rider to interim base rate revenue in 2018. This approach
12 would have no impact on customer billings; however, would permit Hydro to
13 achieve interim relief of its forecast 2018 revenue deficiency, and lessen the
14 customer rate impact upon implementation of 2019 final rates.