

1 Q. Evidence on Customer Rates, Revision 2 – November 14, 2018, Schedule 1, Page
2 38 of 81, Appendix D - 2019 Test Year Cost of Service Study Summary, 2019
3 Expected Supply Test Year Cost of Service Study – October 26, 2018 Update,
4 Return on Rate Base.

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6 What fuel price assumptions were used to establish the Island Interconnected Fuel
7 Inventory costs shown in lines 3-5 of Column 3 of the referenced Schedule? If this
8 does not reflect Hydro’s latest fuel price forecast, please explain why it does not.

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11 A. Fuel Inventory costs are based on Hydro’s filing from March 22, 2018 – Additional
12 Cost of Service Information in Compliance with Order No. P.U. 2(2018). The 2019
13 purchase price is \$63.50/barrel.

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15 In its July and October 2018 updates, Hydro did not complete a full revenue
16 requirement analysis; rather, it made a number of adjustments to estimate the
17 impacts of the Settlement Agreements, fuel price and power purchase forecasts on
18 revenue requirement. Hydro used the cost of service methodology as described in
19 the 2017 GRA Settlement Agreements in preparing preliminary cost of service study
20 results to determine customer rate projections. Hydro will update its fuel inventory
21 cost calculation in its compliance application based on the most current fuel
22 forecast, which Hydro expects to be the March 2019 fuel price forecast.