

1 Q. **Further Information filed August 23, 2017**

2 Reference is made to the recent downward trend in No. 6 fuel cost as a potential
3 factor to reduce the projected July 1, 2018 customer rate impacts. It is also stated
4 that the recent No. 6 fuel forecasts project a continuation of lower cost No. 6 fuel
5 for 2018 than used in the current fuel riders. What impact will lower No. 6 fuel costs
6 have on the 2018 TY and does Hydro plan on filing a revised 2018 TY to reflect lower
7 No. 6 fuel costs?

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10 A. Hydro's 2018 Test Year forecast No. 6 fuel expense is comprised of the consumption
11 of approximately 2.5 million barrels at a cost of \$86.41 per barrel. Hydro's
12 correspondence to the Board dated August 23, 2017, indicated that the forecast
13 price of No. 6 fuel at that time for 2018 was \$61.50 per barrel. The impact of this
14 reduction in the forecast price of No. 6 fuel is a reduction of Hydro's 2018 Test Year
15 revenue requirement of approximately \$62.8 million, or 9.4%. Please refer to
16 Hydro's response to NP-NLH-102 for more recent fuel forecast information.

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18 Hydro does not plan on filing a revised 2018 Test Year to reflect this lower forecast
19 price of No. 6 fuel. As noted in Hydro's August 23, 2017 correspondence, Hydro
20 proposes that the Rate Stabilization Plan (RSP) continue to operate for 2018 based
21 on the 2015 Test Year inputs. This approach will allow any variance in the price of
22 No. 6 fuel relative to the 2015 Test Year cost of \$64.41 to flow through normal
23 operation of the RSP. Hydro notes that continuation of the RSP operating on 2015
24 Test Year inputs for 2018 is consistent with Hydro's 2018 interim rate proposal as
25 filed.

1 Hydro observes that fuel cost projections can change materially in a relatively short
2 period of time. The refiling of Hydro's 2017 General Rate Application each time a
3 material change in fuel price occurs is not practical and does not result in regulatory
4 efficiency.