

1 Q. Further to the response to PUB-NLH-090, have any of the jurisdictions referred to in
2 the response specifically approved the proposed change to average rate base
3 methodology requested by Hydro to include significant capital additions in both the
4 opening and closing rate base for rate setting purposes?

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7 A. This response has been provided by CA Energy Consulting.

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9 The approach for determining revenue requirement is evolving, which is a
10 consequence of under recovery using the conventional test. Under recovery is a
11 result of rapid increases in capital investment and, absent regulator remedies, can
12 assume chronic proportions for electric utilities. Many regulatory jurisdictions have
13 modified the structure of regulation and remain open to further change. In some
14 cases, these changes constitute major departures from the conventional historical
15 test year approach. As discussed in PUB-NLH-131, Attachment 1, new structural
16 variants include multiyear rate plans, formula rates, cost trackers, forward test
17 years, and K-factors.

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19 The overall intent of these changes is to keep rates contemporary with unavoidable
20 rising costs, which are mainly driven by capital resources used in the provision of
21 utility services. However, these new approaches to regulatory governance are not
22 necessarily implemented as blanket policy actions in Canada or the United States. In
23 some cases, alternative forms of regulation are made available to service providers
24 as options, and the changes are often implemented on a case-by-case basis. As an
25 example, the State of Florida regulatory jurisdiction uses a forward test period
26 approach, generally speaking. Yet, the Florida Public Service Commission (PSC)

1 recently implemented a multi-year rate plan for Florida Power and Light, operative
2 through 2020/2021.

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4 Hydro’s proposed methodology in the current proceeding adheres to conventional
5 cost of service regulation, test year with known and measurable changes, with an
6 explicit threshold used as the basis for consideration of annualization of costs
7 associated with known facility additions and changes. This threshold specificity can
8 be interpreted as a modest movement in conventional methodology, and
9 consistent with past precedence in the Amended 2013 GRA.