

1 Q. Explain how the Rate Stabilization Plan provides incentive to Hydro to
2 minimize the cost of power supply to consumers. How could the Rate
3 Stabilization Plan be re-designed to improve incentives to Hydro to minimize
4 the cost of supply to consumers?

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7 A. The prime purpose of the RSP, as approved by the PUB, is to stabilize rates
8 for customers and was introduced as a result of adverse public reaction to
9 the then fuel adjustment charge. While Hydro strives to keep its overall costs
10 as low as possible, the RSP in and of itself does not provide incentives to
11 Hydro to minimize cost. As the purpose of the Plan is rate stabilization, no
12 significant changes in the way the RSP functions are included in Hydro's
13 application.