

- 1 Q. Reference: 1985 Report of the Board on Hydro's Rate Proposals and  
2 subsequent Production and Transmission Demand cost reallocation for RSP.  
3
- 4 a) Please confirm that Hydro's RSP was first approved in the Board's  
5 1985 report.  
6
- 7 b) Please confirm that Hydro applied in that hearing for an RSP which  
8 adjusted Hydro's income only for fuel cost variations, hydraulic  
9 generation variation and any potential for Hydro overearnings. Please  
10 confirm that Hydro did not propose a load variation component of the  
11 RSP.  
12
- 13 c) Please explain Hydro's rationale for not applying for a load variation  
14 component of the RSP in 1985.  
15
- 16 d) Please confirm that the Board added the load variation component of  
17 the RSP as noted at page 88 of the 1985 report: "... (vi) Any earnings  
18 variation because of a difference between the estimated load and the  
19 actual load be included in the Rate Stabilization Plans of Hydro and  
20 NLP..." and page 90 of the 1985 report: "The Board recommend that  
21 any earnings variation because of a difference between the estimated  
22 load and the actual load be included in the Rate Stabilization Plan so  
23 Hydro's earnings will not vary". Please confirm that these are the only  
24 references in a Board report or order regarding the load variation  
25 component of the RSP, and specifically confirm that there is no  
26 reference in a Board report or order as to making monthly adjustments  
27 in the RSP related to load variations which do not result in an earnings  
28 variation for Hydro.

1 e) Please provide details of all occasions since 1985 (with a copy of all  
2 materials filed) where Hydro has specifically advised the Board or  
3 customers that it is reallocating Production and Transmission Demand  
4 costs not related to earnings variation in the RSP.

5  
6

7 A. a) Hydro confirms that the RSP was first approved in the Board's 1985  
8 report.

9

10 b) Hydro confirms that in the 1985 hearing Hydro sought approval for a  
11 rate stabilization plan that had three elements; 1) a water variation  
12 provision, 2) a fuel cost variation provision, and 3) a coverage cap.  
13 Hydro did not propose a load variation in the RSP.

14

15 c) Hydro did not consider a load variation component and therefore no  
16 rational is available.

17

18 d) Hydro confirms that the Board added the load variation as indicated  
19 above. Hydro's application of the rules governing the Rate  
20 Stabilization Plan is more fully outlined in a letter dated March 26,  
21 1986 from Hydro's President, Cyril Abery, to the Chairman of the  
22 Board of Commissioners of Public Utilities. In particular, page 1 of this  
23 letter indicates,

24

25 "This new approach will allow us to establish segregated  
26 Rate Stabilization Plans for retail and industrial customers  
27 that will exactly reflect the revenue that would have been  
28 collected from each customer group, had the actual results  
29 of load, hydro production and fuel price changes been

1 known at the time of preparation of the 1986 final Cost of  
2 Service filed with the Board. “

3

4 A copy of this letter is included in the response to IC-284(e).

5

6 e) In addition to the letter to the Board attached to IC-284(e), a  
7 letter from Newfoundland Power’s H. Stanley Marshall to  
8 Hydro’s D.W. Mercer in relation to the RSP is attached, a copy  
9 of a letter dated July 27, 1993 from Mr. Derrick F. Sturge,  
10 Hydro’s Director of Rates & Financial Planning, to Mr. Mel Dean  
11 of Abitibi Stephenville addressing changes in the Plan due to  
12 cost sharing ratios is attached as well.

P.O. Box 8910  
Station A  
St. John's, Nfld.  
A1B 3P6

1986 05 21

D. W. Mercer  
Executive Vice-President  
Newfoundland & Labrador Hydro  
Philip Place  
St. John's, Newfoundland  
A1A 2X8

Dear Sir:

In response to Mr. Abery's letter to the Board of Commissioners of Public Utilities dated March 26, 1986 and your letter to me dated April 4, 1986, our personnel have, with the co-operation of Hydro staff, reviewed the details of the revised Rate Stabilization Plans. We acknowledge that because of the complexity of the matter it is difficult to describe completely the operation of the Plans, as Mr. Abery has valiantly attempted to do. While we experienced some initial confusion with respect to that description, the review has confirmed that the revised approach, as implemented by Hydro, overcomes the concerns raised previously.

Yours truly,

NEWFOUNDLAND LIGHT & POWER CO. LIMITED



H. Stanley Marshall  
Corporate Legal Counsel

HSM/bd1008d

c.c. Board of Commissioners of Public Utilities



## NEWFOUNDLAND AND LABRADOR HYDRO

Head Office: St. John's, Newfoundland P. O. Box 12400 A1B 4K7 • Telephone (709) 737-1400 • Fax (709) 737-1231

July 27, 1993

By Fax and Mail

Mr. Mel Dean  
Electrical Superintendent  
Abitibi-Price Inc.  
P.O. Box 40  
Stephenville, Newfoundland  
A2N 2Y8

Dear Mel:

RE: RATE STABILIZATION PLAN

In response to your memo of July 14, 1993 we have prepared the attached schedules. These schedules focus on the "Current Period Activity" shown on page 16 of the monthly Rate Stabilization Plan (RSP) document. These schedules address the various components comprising the Current Period Activity at a summary level, but should enable you to better understand what is happening in the plan each month.

Take the January 1993 schedule as an example. The top portion of the schedule deals with monthly activity that affects the cost sharing ratios. In January it shows that Newfoundland Power (NP) exceeded the test year energy forecast by 33 gwh, and the Industrials exceeded their test year energy forecast by 6 gwh. Newfoundland Power did not exceed their Non-Coincident Peak (NCP) in January, but the Industrial peak was exceeded by 4 MW.

The bottom portion of the schedule summarizes the three major components comprising Current Period Activity.

1. *Fuel Costs* - this component shows the total changes to fuel costs in the month arising from hydraulic, fuel price and load variations. This amount is allocated between NP and Industrials on the basis of revised annual energy ratios, incorporating year-to-date energy sales.

2. *Cost Sharing Ratios* - this component reflects the changes in energy and NCP during the month compared to the test year forecast. In January, the increases in energy for both NP and Industrials did not cause any significant change in the energy ratios as both customer classes increased by proportionately similar quantities. The major factor resulting in the shifting of \$361,000 to the Industrial class was the 4 MW increase in NCP.
3. *Revenue* - this component represents the variation in energy revenue monthly. It is calculated using the energy variation in the top part of the schedule and the energy rate.

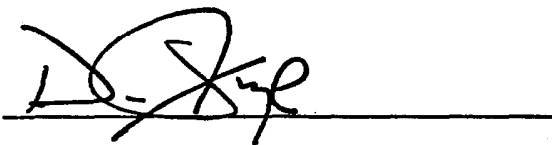
The \$704,000 in January represents the increase in amounts due to Hydro from the Industrial class.

The monthly balance in the plan (Industrial Total to Date, p.16) reflects the Current Period Activity in addition to monthly interest and adjustment calculations.

If you have any questions do not hesitate to call.

Yours truly,

NEWFOUNDLAND AND LABRADOR HYDRO



DERRICK F. STURGE,  
Director, Rates & Financial Planning

DFS/pme  
Attachments

**Newfoundland and Labrador Hydro  
Rate Stabilization Plan  
Analysis of Current Period Activity**

January ,1993

	Monthly Change	
	NP	Industrials
<b>Cost Sharing Ratios:</b>		
Energy (GWh)	33	6
Non-Coincident Peak (MW)	0	4
 <b>Current Period Activity is comprised of the following: (\$000)</b>		
Fuel Costs Increase (Decrease) (1)	1,651	490
Cost Sharing Ratios Impact	(354)	361
Revenue (Increase) Decrease	<u>(1,499)</u>	<u>(147)</u>
	<u>(202)</u>	<u>704</u>

(1) This component includes all changes in fuel costs associated with hydraulic, fuel price and load variations.