

1 Q. **Referred to IC-20**

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3 What changed financially that required N&LH to request approval from the
4 PUB for an alteration in rates that it charges customers?

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6 A. From a financial perspective, the most significant item that has influenced
7 Hydro to request approval from the P.U.B. for an alteration in rates it charges
8 to its customers, is the fact that the cost of No. 6 fuel has increased from
9 \$12.50 per barrel in 1992 and is predicted to increase to \$28.00 per barrel in
10 2002. Hydro's rates, which were last approved in 1992 were based on No. 6
11 fuel costing \$12.50 per barrel and Hydro is recommending that \$20.00 per
12 barrel be used as the base price of No. 6 fuel that would be included in the
13 2002 rates, with any variation from this price and the actual cost of fuel
14 (currently projected to be \$28.00 per barrel) going into the R.S.P.

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16 As well the P.U.B. in a previous referral, ordered that Hydro would be
17 required to review with the P.U.B. the balance in the R.S.P. for Newfoundland
18 Power should this balance in the plan approach the \$50 million cap set by the
19 P.U.B. It is projected that Hydro will be approaching the existing cap in late
20 2001.