

1 Q. The current cap on the Retail Rate Stabilization Plan is \$50 million.

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3 (a) Provide the rationale for the decision to initially implement the cap and
4 the basis for the amount of the cap established.

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6 (b) If there is no cap in place for the Industrial Rate Stabilization Plan,
7 explain the rationale for the decision not to implement the cap.

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9 (c) If there is a cap on the Industrial Rate Stabilization Plan, provide the
10 basis for the amount of the cap established.

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12 A. (a) During the 1985 Hydro Rate Hearing, Hydro indicated rate stability
13 was the goal of the Rate Stabilization Plan. There was a concern that
14 the balance in the plan could reach a level beyond which its
15 amortization would have a destabilizing effect on the consequent retail
16 rates. Hydro proposed that it initiate an appearance before the Board
17 if the net balance in the Rate Stabilization Plan, (applicable to
18 retailers) reached a certain level (either positive or negative). At that
19 appearance Hydro would propose alternative rates in light of the
20 circumstances at that time. The amount of the cap, set in 1985, was a
21 matter of judgment made in light of circumstances at that time.

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23 (b) There is presently no cap in place for the Industrial portion of the Rate
24 Stabilization Plan. It is felt that having a cap on the Newfoundland
25 Power portion of the Rate Stabilization Plan would trigger discussion
26 with the Public Utilities Board, which would cover issues that would
27 impact the overall plan balance, including the Industrial portion.

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- 1 (c) There is presently no cap established for the Industrial portion of the
2 Rate Stabilization Plan.