

- 1 Q. Fully describe fuel cost risk and its impact, in light of the existence of the
2 RSP, on the determination of a reasonable capital structure for Hydro on a
3 stand-alone basis (KCM, page 17, line 22).
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- 5 A. The fuel cost risk relates to the difference between forecast and actual
6 thermal efficiency (kWh/barrel of oil). Since recovery of fuel costs is based
7 on forecast efficiency factors (e.g., the RSP does not capture differences
8 between actual and forecast efficiencies), Hydro is at risk for underrecovery
9 of actual fuel costs.