

1 Q. On page 29, lines 17 to 20 of Mr. Wells' Pre-filed Evidence, he indicates that
2 the outstanding balances in the RSP should not be a significant factor
3 impacting rates after 2004 if current forecast prices for No. 6 fuel reflect
4 future costs. What is the expected range of prices about the forecast, and
5 how would this price range affect rates in the years 2004 and 2005?
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8 A. An expected range based on annual historical price variation would be plus
9 or minus two standard deviations. This equates to plus or minus \$7.50
10 Canadian around the forecast.
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12 If fuel prices were forecast plus or minus \$7.50 per barrel in 2004, the
13 revenue requirement would increase or decrease by approximately 6% for
14 Newfoundland Power, and approximately 7% for Industrial Customers.
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16 If base rates were set based on the 2004 Forecast Cost of Service (Exhibit
17 RDG-1), there would be no effect on rates in 2004, but RSP adjustment rates
18 for the 2004 activity would commence in 2005. The 2005 RSP adjustment,
19 beginning in January for Industrial Customers and July for Newfoundland
20 Power would be:

21 Industrial Customers plus or minus 0.148 ¢ per kWh

22 Newfoundland Power plus or minus 0.159 ¢ per kWh