1	Q.	Please provide information as to which other electric utilities maintain a rate
2		stabilization plan (RSP) and what their experience has been.
3		
4		
5	Α.	Please see attached survey results, which were filed in response to CA-218
6		from the 2001 General Rate Application.
7		
8		Additional available information follows.
9		
10		Rate Stabilization Plans in Massachusetts
11		
12		Simultaneous to implementing retail electric deregulation in Massachusetts in
13		1998, jurisdictional investor owned utilities were required to reduce total rates
14		by 15% for all customers from the levels that existed in 1996. Thus
15		consumers were guaranteed an immediate benefit when deregulation of the
16		statewide retail electric supply market was put in place. Further, to ensure
17		that consumers continued to enjoy these savings for the foreseeable future,
18		the utilities were required to maintain the 15% reduction in rates on an
19		inflation adjusted basis. Elements of the rates, such as supply related
20		standard offer and default service charges are subject of fluctuations in
21		energy supply costs and competitive wholesale electricity prices. However, if
22		these costs increase such that the 15% inflation adjusted discount is not
23		maintained, then the incremental amount of the supply-related charges not
24		absorbed into the capped rate structure would be placed into a deferred
25		account. The deferral would be collected from customers at a later date.

Page 2 of 4 1 Rate Stabilization in the Northeast USA 2 3 Similar to the plan adopted in Massachusetts, other Northeastern states have 4 established capped rate structures which lock-in rate reductions ordered at 5 the onset of deregulation for a period of time beyond initial implementation of 6 retail choice. In this fashion, regulators and legislators could guarantee 7 immediate benefits to consumers from the opening of retail electricity supply 8 markets and also provide stabilized pricing in the early years of deregulation. 9 10 Rate Stabilization - Terasen Gas 11 Terasen Gas (formerly Centra Gas British Columbia). In an effort to build up 12 gas sales on its new distribution system, in the mid-1990s, under a Rate 13 Stabilization Agreement between Centra and the Province, gas rates to many 14 distribution customers were decoupled from the cost of providing service and 15 were set at a significant discount to oil and/or electricity. By year-end 2002, 16 Centra had accumulated a revenue deficiency of approximately \$87.9 million, 17 which represented the cumulative difference between actual revenues and 18 cost of service based revenue requirement plus interest. In a recent decision 19 by the British Columbia Utilities Commission, Terasen received authorization 20 to recover the deficiency by 2011 through the use of an innovative "soft-cap" 21 rate setting mechanism under which rates would be set to be competitive 22 with electricity and/or fuel oil for core market customers. In most cases, the 23 retail burner tip price for any customer class would be capped at the price 24 level of the class's applicable alternative fuel in order to maintain the 25 competitiveness of natural gas. The mechanism has a soft-cap since the 26 burner tip rate would float as necessary to respond to changing market 27 conditions. Any revenues under the soft-cap rates in excess of the allocated 28 class cost of service would go towards paying down the accumulated 29 revenue deficiency.

CA-83 NLH 2003 General Rate Application Page 3 of 4

Canadian Electrical Utilities Rate Stabilization Mechanisms

	Contact Name	
Company	Contact Title	Stabilization Mechanism
Nova Scotia Power	Barrie Clark Senior Costing and Rates Specialist	None.
New Brunswick Power	Rick Mitton Rate Analyst	None.
Maritime Electric (P.E.I.)	Angus Orford Manager of Customer Services and Corporate Communications	Two adjustment mechanisms have been in place since October 13, 2001. The "energy cost adjustment mechanism" determines a percentage of increase or decrease to customers bills beginning on April 1st of each year. It is based on the previous year's actual cost of fuel and operating and maintenance related to thermal production and the cost of purchased power. This total is compared to a base cost of 5 cents per kWh. The "capital cost adjustment mechanism" determines a percentage of increase or decrease to customers bills beginning on April 1st of each year. It is based on the previous year's normalized return on common equity compared to a base return of 11%.
Hydro Quebec	Julie Doonan Rates Analyst	None.
Hydro One	Una O'Reilly Manager, Business Integration Hydro One Remote Communities	None.
Manitoba Hydro	Louella Harms Business Analyst	None.
SaskPower	Vern Nelson Senior Analyst - (Load and Revenue Forecasting)	None.
Atco Electric (Alberta)	Derrick Ploof Supervisor of Rate Design	None.

Canadian Electrical Utilities Rate Stabilization Mechanisms

	Contact Name	
Company	Contact Title	Stabilization Mechanism
B.C. Hydro	Fred James Senior Policy Advisor - (Regulatory Affairs)	A Rate Stabilization Account accumulates income above the allowed rate of return. This is drawn down only if there is a shortfall in the rate of return.
Northwest Territories Power Corporation	Web Site (www.ntpc.com)	 A Diesel Community Rate Stabilization Fund accumulates the variances between the estimated fuel cost (based on the PUB approved price) and the actual fuel cost. A "trigger" of \$2 million has been set. An accumulated customer over-charge of \$2 million triggers a reimbursement to the customers. An accumulated customer under-charge of \$2 million triggers a rider on the base rate to remain in effect until the Fund is back to zero. The rider rate is calculated by dividing the Fund balance by the estimated kWhs to be consumed during the period of time set to reduce the Fund balance to zero. The \$2 million trigger is approximately 7.6% of the \$26.2 million Fuel and Lubricants expense for the year ended March 31, 2001 and 7.8% of the \$25.8 million Fuel and Lubricants expense for the year ended March 31, 2000.