

1 Q. Further to NP-212 NLH: At the 2001 Hydro General Rate proceeding, Mr.
2 Brickhill stated:

3

4 “No costs are shifted to Hydro’s other customers as a consequence of the
5 Industrial Customers not covering marginal costs in their energy rates. Hydro
6 ultimately recovers its marginal costs from the industrials through the RSP,
7 which simply defers for later recovery from the firm industrials what the firm
8 industrials do not pay now.”

9

10 Please confirm that Mr. Brickhill was referring to the load variation
11 component of the RSP that ensures that no costs are shifted to Hydro’s other
12 customers as a consequence of the Industrial Customers not covering
13 marginal costs in their energy rates.

14

15

16 A. Mr. Brickhill’s comments concerning marginal cost refer to both the load
17 variation and fuel price variation components of the RSP. The load
18 variations permits the recovery of test year prices for increases in load, or
19 credits to the plan test year prices for decreases in load.

20

21 The fuel price variation component recovers or refunds changes in the cost
22 of fuel compared to test year costs.

23

24 The reference to no costs shifting must be considered in view of the fact that
25 the RSP variations were intended to mirror what would have occurred in the
26 test year if the existing circumstances had been forecast.