Q. With regard to the response to CA 52 NLH, under the current regulatory regime (i.e., assuming no changes to the RSP), what would Hydro do if CFB Goose Bay operations decreased significantly? How is this different than the closing of the Abitibi mill in Stephenville?

A. Assuming no changes to the RSP regarding CFB Goose Bay sales, if the CFB Goose Bay base shut down, Hydro would be at risk to lose $4.5 million in regulated revenue. Since this loss represents almost one half of Hydro's regulated return of $9.4 million this would trigger an application to the Board for immediate rate relief regarding this revenue loss. Since there is a portion of the CFB Goose Bay revenue credit built into the rates of Newfoundland Power (NP) customers, if rate relief is granted Hydro by the Board on this matter, it can be assumed that Newfoundland Power, in turn, would seek rate relief.

Hydro's proposal on this matter is that NP's portion of the CFB Goose Bay revenue be credited to NP's customers as they materialize through the RSP.

Acceptance of Hydro's recommended treatment of the CFB Goose Bay revenues would result in similar circumstances which arose in the closing of the ACI Stephenville mill. In the case of the mill closure, net fuel cost savings are credited to the Industrial Customers as they materialize through the RSP thereby mitigating the effect of the lost energy sales on Hydro's regulated earnings. With regard to demand revenues there was a required two-year notice of contract termination from ACI including a period during which there is minimum demand payment due Hydro.