

1 Q. Does Hydro believe it is reasonable to have a limit on the RSP Hydraulic  
2 Production Variation Balance upon which it should be required to propose  
3 adjustments to customer rates to either refund or recover the outstanding  
4 balance? If not, why not?

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7 A. Hydro does not believe that a predetermined dollar amount should be  
8 imposed as a limit on the RSP Hydraulic Production Variation Balance, which  
9 would trigger the refund or recovery of the outstanding balance.

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11 Hydro is averse to a limit on the RSP Hydraulic Production Variation Balance  
12 for the following reasons:

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14 – In general, the recovery of large balances over a discrete period could  
15 cause wide fluctuations in customer rates.

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17 – Full refund or recovery of the hydraulic production variation balance at  
18 any one point in time would not accommodate the natural tendency of the  
19 hydraulic production variation provision to tend toward zero over time.

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21 Additional comments concerning the hydraulic variation mechanism of the  
22 RSP are found on pp. 5-8 of Hydro's report, *Review of the Operation of the*  
23 *Rate Stabilization Plan*, filed in this proceeding in response to PUB 1 NLH.