Q. Calculate the pro-forma RSP Hydraulic Production Variation balance that would exist at the end of 2006 using the data provided in Request for Information NP-41 NLH and assuming: (i) the current RSP Hydraulic Production Variation mechanism; (ii) the 2007 test year forecast cost of No. 6 fuel; (iii) the 2007 test year Holyrood energy conversion factor; and, (iv) the 2007 forecast RSP finance costs.

A. The RSP Hydraulic Production Variance that would exist at the end of 2006 using the data provided in NP 41 NLH, 2007 Test Year No. 6 Fuel Price of $56.12/barrel, and a 630 kWh/barrel energy conversion factor is a payable to customers of $45,183,629. The details of this calculation are outlined in the following table. Please note that the finance cost used does not affect the calculation as the finance charges calculated in a year are fully allocated at December of that year and have therefore not been calculated in the table.

Newfoundland and Labrador Hydro
Rate Stabilization Plan
Net Hydraulic Production Variation

	A Cost of Service Net Hydraulic Production (kWh)	B Actual Net Hydraulic Production (kWh)	C Annual Net Hydraulic Production Variance (kWh) **(A - B)**	D 2007 Test Year No. 6 Fuel Cost ($Can/bbl.)	E Net Hydraulic Production Variation ($) **(C / O[1] X D)**	F 25% Allocation ($) **(C+Prior year G) X- 25%**	G Cumulative Variation Net of Allocation ($) **(E + F+ prior year G)**
Opening balance							0
1990	4,205,300,000	3,756,340,000	448,960,000	56.12	39,993,072	(9,998,268)	29,994,804
1991	4,205,300,000	4,297,370,000	(92,070,000)	56.12	(8,201,537)	(5,448,317)	16,344,950
1992	4,205,320,000	4,214,760,000	(9,440,000)	56.12	(840,909)	(3,876,010)	11,628,031
1993	4,205,320,000	4,432,160,000	(226,840,000)	56.12	(20,206,763)	2,144,683	(6,434,049)
1994	4,205,320,000	5,036,630,000	(831,310,000)	56.12	(74,052,567)	20,121,654	(60,364,962)
1995	4,205,320,000	4,386,250,000	(180,930,000)	56.12	(16,117,130)	19,120,523	(57,361,569)
1996	4,205,320,000	4,565,590,000	(360,270,000)	56.12	(32,092,623)	22,363,548	(67,090,644)
1997	4,205,320,000	4,620,520,000	(415,200,000)	56.12	(36,985,752)	26,019,099	(78,057,297)
1998	4,205,320,000	4,424,780,000	(219,460,000)	56.12	(19,549,357)	24,401,664	(73,204,990)
1999	4,205,320,000	4,802,960,000	(597,640,000)	56.12	(53,237,392)	31,610,596	(94,831,786)
2000	4,205,320,000	5,012,710,000	(807,390,000)	56.12	(71,921,789)	41,688,394	(125,065,181)
2001	4,205,320,000	3,953,360,000	251,960,000	56.12	22,444,437	25,655,186	(76,965,558)
2002	4,143,150,000	3,981,750,000	161,400,000	56.12	14,377,410	15,647,037	(46,941,111)
2003	4,425,000,000	4,321,100,000	103,900,000	56.12	9,255,346	9,421,441	(28,264,324)
2004	4,543,840,000	4,726,360,000	(182,520,000)	56.12	(16,258,766)	11,130,773	(33,392,317)
2005	4,582,150,000	4,769,630,000	(187,480,000)	56.12	(16,700,599)	12,523,229	(37,569,687)
2006[(3)]	4,582,150,000	4,836,700,000	(254,550,000)	56.12	(22,675,152)	15,061,210	(45,183,629)

(1) O is the Holyrood Operating Efficiency of 630 kWh/barrel.

(2) At year end 25% of the hydraulic variation balance and 100% of the annual financing charges are allocated to customers.

(3) For 2006, the actual net hydraulic production number represents the forecast for that year.