

1 Q. With the reference to the Summary Report, page 16, please explain why a
2 modification is required to the RSP rules in regards to disposition of the hydraulic
3 balance. Please explain how this situation is different than when the Energy Supply
4 Cost Deferral Account was first implemented (and no change was made to the RSP
5 hydraulic balance at that time).

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8 A. In Hydro's view, this situation differs from the initial implementation of the Energy
9 Supply Cost Variance Deferral Account (Energy Supply Deferral) in that Hydro is now
10 interconnected to the North American grid. As such, there is an increased likelihood
11 that off-island power purchases, included in the Revised Energy Supply Deferral,
12 could be used in response to variances in Hydro's hydraulic energy storage.