

1 Q. The report entitled Review of Industrial Customer Rate Design dated February 5,
2 2008 states the following (page 3):
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4 *Depending upon the method used to calculate block sizes, the load variation*
5 *provision of the Rate Stabilization Plan may no longer be required. This will be*
6 *considered as part of the ongoing Rate Stabilization Plan review.*
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8 Why would the load variation provision be continued and under what
9 circumstances? Have the Industrial Customers expressed the desire to continue the
10 load variation provision? If so, please provide supporting documentation.
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13 A. Large load changes, without stabilization or other smoothing mechanism, may
14 result in Hydro either incurring significant unrecoverable Holyrood fuel costs, or
15 realizing a windfall profit from Holyrood fuel. As explained on pages 17-19 of the
16 "Review of Industrial Customer Rate Design" report, where Industrial Customer
17 load variations do not occur at the tail block, there is potential volatility, both
18 positive and negative, to Hydro's bottom line. To mitigate this volatility, either the
19 current load variation, or some other deferral mechanism, would be appropriate.
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21 The Industrial Customers have not expressed a definite opinion on the continuation
22 of the load variation, but have participated in the discussions concerning some
23 mechanism to account for significant load variation.