

1 Q. The objectives of the RSP review include, among others (see review of the Rate
2 Stabilization Plan dated May 31, 2007):

- 3 • To provide for fair apportionment of costs among the customers impacted by
4 the RSP; and
5 • To mitigate material intergenerational equity concerns.
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7 Is Hydro's proposal to finalize IC rates consistent with the first objective, and is
8 "holding in abeyance" the load variation component surplus of the RSP consistent
9 with the second objective? If Hydro believes they are consistent, please provide
10 support, and if Hydro believes they are inconsistent, what does Hydro propose to
11 address the inconsistencies and when?
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14 A. Hydro's proposal to finalize rates stems from the need to bring to an end, the
15 interim rates which were approved by the Board commencing January 1, 2008. On
16 December 20, 2007, Hydro filed an Application to the Board for an interim order
17 continuing the rates in effect on the basis that the normal operation of the RSP
18 could cause significant rate volatility for the Island Industrial Customers in the
19 context of a significant load change of one of the Island Industrial Customers. Since
20 that time there have been additional Industrial load reductions on the Island
21 Interconnected System. Currently we may be in a more stable environment with
22 regard to base Industrial load until the addition of the Long Harbour smelter
23 currently planned for the 2011 / 2012 / 2013 timeframe. Hydro has outlined
24 elsewhere, in responses to requests for information, its position with regard to
25 meeting the rate design objective "To provide for fair apportionment of costs
26 among the customers impacted by the RSP". (Please refer to the response to NP-
27 NLH-9 and PUB-NLH-15). Hydro had suggested in its letter to the Board of June 30,

1 2009 that the Board consider holding in abeyance the Industrial Customer load
2 variation amounts until a proposal to address the current anomalies in the RSP can
3 be addressed. Hydro believes that, with the current involvement of all the Parties,
4 it is desirable that the Board obtain all the information it requires in order to
5 resolve this issue as part of the current proceeding.

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7 Regarding the issue of material intergenerational equity concerns, there has always
8 been the issue of the timing delay in customers paying the costs (or receiving the
9 benefits) which are accumulated in the RSP and the period in which they were
10 incurred. Modifications have been made to the RSP in recent years which result in
11 a faster reflection of costs (or benefits) in rates. Hydro suggests that the load
12 variation component surplus of the RSP should only be held in abeyance as long as
13 the Board finds necessary to determine an appropriate and fair disposition of the
14 surplus amount.