

1 Q. Please provide all information that has become available in the past six months
2 upon which Hydro has based its decision to finalize IC rates.

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5 A. On December 20, 2007 Hydro filed an Application to the Board for an interim order
6 continuing the rates in effect on the basis that the normal operation of the RSP
7 could cause significant rate volatility for the Island Industrial Customers in the
8 context of a significant load change resulting from the shutdown of a paper
9 machine at Corner Brook Pulp and Paper (CBPP). Over the past six months the
10 Abitibi mill at Grand Falls has shut down completely (131.4 GWh annually) and
11 there has been a further paper machine idled at CBPP (estimated at 145 GWh
12 annually). As depicted in the chart included in Hydro's June 30, 2009 covering letter
13 to the Board, the 2009 forecast Island Industrial Customer load is less than one half
14 that included in its 2007 Test Year Cost of Service study. Although it is difficult to
15 say with certainty, the Industrial class load on the Island Interconnected System
16 may have stabilized at this much lower level and, on this basis, it may be timely to
17 make a decision on the following matters:

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- 19 • finalizing Industrial rates which have been approved on an interim basis
20 since January 1, 2008;
 - 21 • addressing the treatment of the windfall surplus which has accumulated in
22 the Industrial RSP as a result of shutdown of significant pulp and paper
23 production on the Island Interconnected System; and
 - 24 • fixing a fundamental inequity in the calculation of the load variation
25 component of the RSP which was identified in Hydro's 2006 RSP report.