

1 Q. Hydro is making application that the existing Island Industrial Customer interim  
2 rates, excepting those for Teck Resources Limited (formerly Teck Cominco Limited),  
3 be made final, on the basis that application of the existing RSP rules to calculate  
4 (final) rates for Industrial Customers would result "in significant and unreasonable  
5 rate volatility". Explain how the approval of the interim rates would be consistent  
6 with the requirement under Section 3 of the *EPCA* that Hydro's rates should be set  
7 in such a manner as to "result in power being delivered to consumers in the  
8 province at the lowest possible cost consistent with reliable service".  
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11 A. Schedule B to Hydro's Application of June 30, 2009 illustrates the 'significant and  
12 unreasonable rate volatility' that was the basis of Hydro's application. Such was the  
13 forecast volatility, that, under the assumptions used, Island Industrial Customers  
14 would receive essentially free electricity in 2010 as illustrated in the charts shown  
15 on Schedule B of the Application. The potentially free electricity for Industrial  
16 Customers results from a shortcoming in the design of the load variation  
17 component of the RSP which does not fairly allocate energy costs among all  
18 customer classes and becomes particularly evident if there is significant loss or gain  
19 of industrial load between test years. As outlined in response to NP-NLH-9, Hydro  
20 considers that its conclusion with regard to the load variation component of the  
21 RSP, which was outlined in its 2006 RSP report, is a fairer method to allocate the  
22 load variation balance of the Plan. The approval of the interim rates and the  
23 modification of the rules of the RSP to reflect the recommended change would, in  
24 Hydro's opinion, be consistent with the requirement under Section 3 of the *EPCA*  
25 that Hydro's rates should be set in such a manner as to result in power being  
26 delivered to **all** consumers in the province at the lowest possible cost consistent  
27 with reliable service [emphasis Hydro].