

1    **TOPIC:**       **RSP OBJECTIVES**

2    **QUESTION:**

3    Does Mr. Bowman believe that the use of Hydro's recommended cost of service approach or the  
4    current RSP assignment approach in the load variation component would provide more  
5    reasonable levels of customer rate stability?

6    **RESPONSE:**

7    In Mr. P. Bowman's view the load variation component of the RSP for any customers is at its  
8    heart an inappropriate regulatory mechanism and is inconsistent with major rate design  
9    objectives including customer rate stability.

10   Should a load variation component of the RSP be required, the approach proposed by Hydro in  
11   its June 30, 2006 RSP Report should be considered as a possible option in the next GRA. At a  
12   general level this approach would appear to provide certain benefits compared to the current  
13   approach, but a full assessment of this approach would require an appropriate comprehensive  
14   review. However, note that work since the 2006 GRA by Hydro and customer groups has been  
15   focused on whether the load variation component should be entirely eliminated, rather than  
16   revised as noted in the 2006 Report.