TOPIC: **TESTIMONY REFERENCES**

PREAMBLE:

Page 3: *"…the close of Albright and Wilson and of Royal Oak mines led to ongoing charges to the IC RSP…"*

Albright and Wilson and Royal Oak Mines discontinued operations in 1998. Based upon the RSP Activity Reports, the RSP transfers to the load variation component for the period 1998 to 2001 were based upon a Holyrood mill rate used in the RSP of 2.066¢ per kWh and the Large Industrial energy mill rate of 2.167¢ per kWh (a difference of 0.101¢ per kWh to compute the load variation transfer).

QUESTION:

The total test year forecast sales to Albright and Wilson and Royal Oak Mines was 21.5 GWh or 1.7% of the total IC forecast test year load requirements of 1,249,200 GWh. A load reduction of 21.5 GWh times 0.101¢ per kWh results in an annual RSP load variation transfer of approximately $22,000. Is this the load variation transfer Mr. Bowman is referring to in his testimony?

RESPONSE:

No. The preamble fails to reflect the rules that were used to operate the RSP during the period in question (which are different than today's rules). During the period where the two noted industrial customer closures were in effect, the RSP operated such that the revenue reduction arising from the loss of the two noted former industrial operations was allocated 100% to the IC RSP, but the related fuel savings was allocated largely to NP. Consequently, the net effect on the IC RSP was much larger than noted. As set out in the evidence of Mr. Osler in the 2001 GRA (Second Supplementary Evidence, November 25, 2001):

> There does not appear to be any basis to operate the RSP using Albright and Wilson and Royal Oak loads when these customers have closed. The net effect of including these customers is to collect from the remaining industrial customers all lost revenue from the two now closed operations (approximately $500,000 per year) so Hydro is "kept whole" from revenue impacts due to their closure. It is not apparent that there is any basis for assigning such costs specifically to the remaining Industrial Customers (as distinct from assigning these costs to either the shareholder or all customers of the system).

Further the preamble is also not correct in respect of the adverse load variation effect occurring during this period. The response to IC-79 from the 2001 GRA indicates that the loads of these customers were in notable decline by 1995 or 1996, and the continuing effect of nearly $0.5 million per year in lost revenues was allocated to the IC RSP through 2001.