

TOPIC: TESTIMONY REFERENCES

PREAMBLE:

Page 2: *“The remaining RSP balance to the end of 2009 (approximately \$20.21 million) reflects amount properly assigned to the IC Plan. The amounts in question (primarily related to load variation) are true and verifiable savings to Hydro’s system. The savings only arise as a result of IC customers class load changes, not those of the other classes, consistent with established RSP principles.”*

QUESTION:

Please provide the established RSP principles to which Mr. Bowman refers. How do the RSP principles related to the RSP Objectives agreed to in the RSP Review?

RESPONSE:

The RSP Principles are crystallized in the approved RSP Rate Schedule.

The current methods arising from the 2003 RSP negotiation were presented to the Board by Hydro’s Mr. Banfield on December 2, 2003, as follows:

Q. The third component in the RSP is the load variation component. Could you please explain what the proposed change is in that component?

A. Yes. The load variation provision has two elements, revenue and fuel. In the past revenue variations were assigned to the customer class which caused the variation. Fuel costs were treated as common costs and shared proportionately among customer classes regardless of the customer class that caused the variation. It is proposed to treat the fuel component in the same manner as the revenue element is currently treated. This means that the fuel element resulting from the load variation will be assigned fully to the appropriate customer class. This recommended treatment results in the customer class that caused the change in load being assigned the cost of fuel associated with that change.

The operation of the RSP since 2007 reflects these agreed to principles; that is, “the customer class that caused the change in load being assigned the costs of fuel associated with that change”.