

1 Q. **Re: Proposed RSP Changes**

2 On page 4 and 5 of Mr. Greneman's evidence, he states:

3 "In response to PUB-NLH-24 in this proceeding, Hydro indicated that although it has
4 not developed any specific proposals, in light of the change in markets and fuel
5 prices the RSP may need to be substantially modified or replaced and that the
6 Board may consider ordering development of policies and procedures that reflect:

- 7 • NP being invoiced monthly by Hydro for costs incurred related to fuel and, in
8 turn, NP dealing directly with their customers on matters of retail price signal
9 and customer billing and payment options;
- 10 • Hydro dealing directly with its IC and giving consideration to such matters as
11 price signal, and payment options, as well as having RSP amounts become
12 accounts receivable or accounts payable from/to each IC each month rather
13 than Industrial class RSP balances which are not tied directly to each customer;
14 and
- 15 • Hydro developing a proposal regarding hydraulic stabilization."

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17 Mr. Greneman states on page 5:

18 "By invoicing NP monthly for fuel costs, it provides a timely price signal and
19 minimizes the possibility of large reserve balances that could act to provide an
20 inappropriate price signal".

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22 Given the potential for monthly fuel cost volatility at Holyrood, does Mr. Greneman
23 believe passing such a price signal directly to retail customers would provide an
24 acceptable level of rate stability?

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- 1 A. Mr. Greneman believes, as repeated in the response to NP-NLH-29, that
2 Newfoundland Power must balance its competing rate design objectives. He also
3 notes that Newfoundland Power's equal billing plan provides its customers with a
4 mechanism to stabilize their cash flows, which may mitigate rate instability based
5 on such price signals, should they be passed on directly.