

1 Q. Should the Board decide to refund the credit balance in the Industrial Customers  
2 Rate Stabilization Plan as of December 31, 2008, what proposals does Hydro have  
3 for the allocation of this balance among the Industrial Customers?  
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6 A. The Rate Stabilization Plan balance, whether owing to customers or from  
7 customers, has historically been recovered in an energy rate adjustment, and based  
8 on future sales. Hydro has not explored the potential legal ramifications of a  
9 refund in light of Abitibi Bowater's current bankruptcy situation and other ongoing  
10 litigation. Should the Board decide to refund the balance, rather than apply an  
11 energy rate RSP adjustment, Hydro offers the following possible methodologies:  
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13 a) Forecast energy sales for each customer in the class would remain consistent  
14 with the practice of the RSP adjustment being applied to future sales. Here is  
15 the latest Energy forecast for 2009, which includes actual sales to April, 2009  
16 has been used for allocation.  
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**Industrial Customer Firm Energy Sales**

Customer	2009 Forecast (GWH)	% of Total Industrial Customer Energy	Allocation of December 31, 2008 Balance (\$)
Abitibi Bowater GF	6.6	1.6%	(177,903)
Corner Brook Pulp & Paper	119	28.7%	(3,207,654)
North Atlantic Refining	227.3	54.7%	(6,126,888)
Teck Resources	62.4	15.0%	(1,681,997)
<b>Total</b>	<b>415.3</b>	<b>100.0%</b>	<b>(11,194,442)</b>

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**RSP Components to be charged to Industrial Customers**

b) An alternate allocation method would be 2008 actual energy sales:

**Industrial Customer Firm Energy Sales**

<b>Customer</b>	<b>2008 Actual (GWH)</b>	<b>% of Total Industrial Customer Energy</b>	<b>Allocation of December 31, 2008 Balance (\$)</b>
Abitibi Bowater GF	95.2	13.8%	(1,543,781)
Corner Brook Pulp & Paper	278.2	40.3%	(4,512,242)
North Atlantic Refining	255.6	37.0%	(4,145,318)
Teck Resources	61.2	8.9%	(993,100)
<b>Total</b>	<b>690.2</b>	<b>100.0%</b>	<b>(11,194,442)</b>

While Hydro has provided two possible allocation methods in response to this question, Hydro considers that its conclusion with respect to the load variation component of the RSP, which was outlined in its 2006 report "Review of the Operation of the Rate Stabilization Plan", is a more fair method of allocation of the load variation. Specifically, Hydro recommends that the net load variation should be allocated between Newfoundland Power and the Industrial Customers based on energy ratios. The allocation of the load variation in this manner more closely aligns with the Cost of Service treatment and Hydro therefore considers this a more fair allocation method.

Should the Board decide that the forecast credit balance of the RSP allocated to the Industrial Customers be dealt with as of December 31, 2008, the Board may wish to consider this method of allocation for the balance attributable to the load variation. Please refer to the response to PUB-NLH-1 as well.