

1 Q. Please provide any proposals that Hydro has developed to modify, to suspend, or to
2 eliminate the Rate Stabilization Plan in order to better deal with the changing
3 markets and changing fuel prices.

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6 A. Hydro has not developed any specific proposals with regard to fundamental change
7 to the RSP in order to better deal with the changing markets and changing fuel
8 prices, but has considered such options. One of the options discussed with the
9 parties at the last series of negotiations was the elimination of the RSP however
10 there was no consensus on this aspect and it was not pursued further. Hydro
11 continues to consider that, in light of changing markets and changing fuel prices as
12 indicated, the RSP may need to be substantially modified or replaced and suggests
13 that the Board may consider ordering development of policies and procedures
14 which reflect the following:

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- 16 • Newfoundland Power being invoiced monthly by Hydro for costs incurred
17 related to fuel and, in turn, Newfoundland Power dealing directly with their
18 customers on matters of retail price signal and customer billing and
19 payment options;
- 20 • Hydro dealing directly with its Industrial Customers and giving consideration
21 to such matters as price signal, and payment options, as well as having RSP
22 amounts become accounts receivable or accounts payable from/to each
23 Industrial Customer each month rather than Industrial class RSP balances
24 which are not tied directly to each customer; and
- 25 • Hydro developing a proposal regarding hydraulic stabilization.