

1 Q. Should the Board decide that Hydro must structure any portion of the credit  
2 balance so that it is included in future rates, please describe any direct or indirect  
3 implications regarding rates, cash flow, earnings, financing costs, energy supply, or  
4 impact on past, present or future customers that should be considered.

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7 A. The significant credit balance in the Industrial Customer RSP is mainly attributable  
8 to fuel savings resulting from the shutdown of pulp and paper production on the  
9 Island Interconnected System since January 1, 2007, the date that new rates were  
10 last implemented for Industrial Customers. This unfortunate circumstance could  
11 potentially result in windfall financial benefits (rates, cash flow, earnings and  
12 financings costs) for Industrial Customers, either present or future, that could more  
13 fairly be shared in another manner. It is Hydro's position that the Board has the  
14 jurisdiction and the authority to allocate the credit in the Industrial RSP in a manner  
15 that it deems most appropriate.

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17 It is Hydro's recommendation that the Board consider allocating the balance in the  
18 load variation component of the RSP in the manner outlined in response to PUB-  
19 NLH-15 so that all customers on the Island Interconnected System receive a fair  
20 portion of the fuel savings which results from the industrial downturn since 2006.  
21 Including the credit balance in future rates is one of the methods that could be  
22 employed to distribute the accumulated savings to various customers. If the Board,  
23 for example, were to approve the distribution of the December 31, 2009 forecast  
24 load variation component of the RSP to all customers based on 2009 customer sales  
25 the following estimated rate decreases would result effective January 1, 2010:

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

	<b>Rate Decrease (%)</b>
Newfoundland Power	6.0
Industrial Customers (excluding Teck Resources Limited)	26.0
Teck Resources Limited	4.7

- 1 Additionally, the Board may wish to consider amortizing the Industrial Customer
- 2 decrease to stabilize rates over more than one year.