

1 Q. (GRA, Volume II, Exhibit 12 – Review of IC Rate Design, page 3)
2 The report states “Depending upon the method used to calculate block sizes, the
3 load variation provision of the Rate Stabilization Plan may no longer be required”.
4 Given that Hydro is foregoing implementation of a two-block rate structure, is there
5 no longer a need for the load variation component of the RSP? Would Hydro
6 change its decision to forego a two-block rate structure for IC rates if the load
7 variation component of the RSP were abandoned?
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10 A. The load variation component of the RSP remains important in protecting
11 customers and Hydro from the fuel-related impacts of variations in load. The
12 referenced report was prepared in 2008. From 2009 to August of 2013, over \$140
13 million owing to customers accumulated in the RSP due to the load variation
14 provision. The magnitude of these changes in IC load was not contemplated in
15 making the statement referred to above. In addition, there are now two new IC on
16 the system, the largest of which is forecast to having a growing load over the next
17 several years. Hydro believes that regardless of the IC rate structure, the
18 magnitude of the fuel implication when significant growth or decline occurs in this
19 class would necessitate retaining the load variation component of the RSP.
20 If the load variation component did not exist, Hydro would likely seek other
21 regulatory deferral mechanisms given the magnitude of the load variations
22 indicated above. A two-part rate structure for IC would not mitigate the net income
23 impacts of the loss of IC load experienced by Hydro since the 2007 Test Year.