

1 Q. RSP

2 (Re: NP-NLH-142 (Revision 1, Nov 20-14)) The response states “*Hydro is now*
3 *proposing an Energy Supply Cost Variance Deferral Account to recover variances on*
4 *power purchases, diesel and gas turbine fuel costs on the Island Interconnected*
5 *System that are in excess of +/- \$500,000 threshold relative to the 2015 Test Year*
6 *forecast*”. Why is Hydro not proposing this type of deferral account for all fuel-
7 related costs on the Island Interconnected System, thus replacing this proposed
8 deferral account and the RSP with a single account and simplifying an RSP that has
9 led to considerable confusion over the years? Please file a revised RSP design based
10 on his (*sic*) approach.

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13 A. With the significant changes in system costs that are on the horizon with Muskrat
14 Falls and associated transmission, Hydro will be conducting a full review of the RSP
15 in 2016. As a result, Hydro did not propose any material changes to the RSP in the
16 current proceeding but proposed that the new deferral account proposals be held
17 separate from the RSP.

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19 Hydro does not consider it appropriate to redesign the RSP at this time.