

1 Q. **Reference: Volume II, Exhibit 9: Cost of Service Study / Utility and Industrial**
2 **Rate Design Report**

3 Please explain why Hydro is proposing a surcharge approach for recovering CDM
4 costs rather than processing the recovery through the RSP. In the response, please
5 present the advantages and disadvantages of each alternative. (Volume II, Exhibit
6 9, Appendix 1, page A1-1)

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9 A. CDM is intrinsically different in nature than the RSP, which attempts to stabilize
10 rates due to changes in factors such as fuel prices, hydraulic production and load
11 variation. Recovery of CDM costs through the use of a rate rider results in a proper
12 matching of cost recovery with cost incurrence and anticipated benefits, and is
13 administratively straight-forward and transparent.