

1 Q. Further to response to Request for Information NP-NLH-018:

2 The RSP balance resulting from the Hydraulic Production Variation component has
3 remained in a credit position of at least \$30 million since 2008. At Hydro's 2001
4 General Rate Application, Grant Thornton suggested shifting the RSP recovery
5 method from a declining balance approach to a straight-line method to achieve a
6 disposition/recovery period over a shorter time frame.

7 Does Hydro believe changing the recovery period for the balance in the Hydraulic
8 Production Variation component from a declining balance approach over a 4-year
9 period to a straight-line (or discrete) approach using a 3 year or 4 year time-frame
10 would be more effective in disposition of the balance over a shorter time frame? In
11 the response, please discuss the advantages and disadvantages of the current
12 approach vs. the straight-line alternatives.

13

14

15 A. With the planned shutdown of the Holyrood Thermal Generating Station following
16 the Labrador Interconnection in 2017, there are less than four years that the Rate
17 Stabilization Plan will be needed in its present form. Hydro proposes that at a
18 future hearing to determine the demand/energy rate structure, that consideration
19 also be given to any new or revised energy supply deferral mechanism which would
20 be needed and how the transition will be made from the existing RSP. Given the
21 relatively short period to the time of the Labrador Interconnection, Hydro does not
22 believe it is necessary to change the recovery period of the RSP at the present time.

Year	(Above) Below Average Production			
	GWh		\$000	
	Annual	Cumulative	Annual ¹	Cumulative
2004	-183	-183	-5,522	-5,522
2005	-187	-370	-5,104	-10,626
2006	-220	-590	-5,352	-15,978
2007 ²	-217	-807	-14,820	-14,820
2008	-299	-1,106	-16,083	-30,903
2009	-134	-1,240	-1,278	-32,181
2010 ³	-239	-1,479	-7,799	-40,360
2011 ⁴	-30	-1,509	7,662	-32,737
2012	-118	-1,627	61	-32,676
2013	-222	-1,849	-7,125	-39,801

1 ¹ Account balance after year-end customer assignment.

2 ² In accordance with PUB Order No. P.U. 8(2007), the December 31, 2006 Hydraulic Variation
3 balance was allocated to the Industrial and Utility Customers.

4 ³ Opening balance was adjusted by (\$380,309) for 2009 financing charges.

5 ⁴ Opening balance was adjusted by (\$39,033) for correction in the calculation of 2010 station service
6 load.