

1 Q. Further to the response to CA-NLH-17 in relation to the 2013 RSP proceeding,
2 describe in detail the "*significant value*" the RSP provides to customers. In the
3 response also outline any disadvantages that the RSP presents for customers.
4

5
6 A. In comparison to the fuel adjustment clause that was in place prior to the
7 introduction of the RSP in 1986, there is one significant advantage, that being the
8 smoothing of customer rate impacts from the volatility in fuel costs.
9

10 There was an inherent disadvantage to customers in the fuel adjustment clause
11 scenario since, in winter, rates could increase substantially at the time customers
12 were experiencing high consumption. The RSP smoothed rates for customers such
13 that, unless there was a GRA related change in base rates, generally customers paid
14 the same per unit costs for an entire year. Over the past several years, customers
15 have also benefited from the high financing rate of 7.529% paid by Hydro on the
16 RSP balance owing to customers.
17

18 Experience with the RSP over the past number of years has highlighted some
19 disadvantages for customers as follows:

- 20 • Customer balances owing to the RSP increased in the 2002/03 timeframe to
21 the extent that the RSP balance at the time was frozen and accounted for
22 separately in a "Historical Plan" with an extended recovery period.
23 Customers then paid an Historical RSP rate as well as the normal RSP rate
24 based on the current RSP balance; and
25 • When large balances are owing to customers, allocation and rates policy
26 issues may arise.