

1 Q. Further to the response to CA-NLH-17 in relation to the 2013 RSP proceeding,  
2 explain in detail the "*value*" the RSP provides to Hydro. Include in the response, all  
3 the advantages and disadvantages for Hydro arising from the RSP.

4

5

6 A. In comparison to the fuel adjustment clause that was in place prior to 1986, there  
7 have been significant disadvantages of the RSP for Hydro as follows:

- 8       • High financing costs of 7.529% on the RSP balance that has grown to \$243.6  
9       million has deteriorated Hydro's net income over the 2007 to 2013 period;
- 10       • Increased risk of RSP balance recovery;
- 11       • Delay in receiving cash flows (e.g., Historical RSP);
- 12       • Increased complexity in rates and associated regulatory effort;
- 13       • Difficulty in communicating the operation of the RSP to others; and
- 14       • Increased administration requirements.

15 There is an advantage to Hydro of the RSP since, in contrast to the fuel adjustment  
16 clause, there is increased customer satisfaction with the reduction in volatility in  
17 electricity rates.