

1 Q. (RSP Application, CA-NLH-6, Attachment 2, page 15 of 27) In the July 20, 2007 letter
2 from the Board to Hydro, the Board suggests a number of additional
3 issues/questions to be considered in the RSP review including "Should the RSP be
4 abandoned altogether for Hydro?" Did Hydro consider this option before filing this
5 Application and the GRA? Please explain how each of the terms in the RSP provide
6 value to consumers.

7
8
9 A. Hydro considers the RSP to be of significant value to customers, and it therefore
10 should not be abandoned.

11

12 The main components of the RSP are outlined in Hydro's July 2013 Rate
13 Stabilization Plan Evidence, Page 3 as follows:

14

15 Hydraulic Variation: The hydraulic variation provision of the RSP smooths
16 customer rate impacts and stabilizes Hydro's financial
17 results for varying levels of hydraulic production.

18

19 Fuel Price Variation The fuel price variation provision of the RSP smooths
20 customer rate impacts and stabilizes Hydro's financial
21 results for changes in the cost per barrel of No. 6 fuel
22 consumed at Holyrood.

23

24 Customer Load Variation The customer load variation provision of the RSP
25 smooths customer rate impacts and stabilizes Hydro's
26 financial results for differences in customer energy

RSP Rules and Components to be charged to Industrial Customers

Page 2 of 2

1 revenues and the cost per barrel of No. 6 fuel
2 consumed at Holyrood.

3

4 These provisions, as well as the provision related to Rural rate changes and the
5 proposed energy supply RSP provision, provide value to customers by (i) smoothing
6 customer rate impacts over time and (ii) returning savings to customers that
7 otherwise would be to the financial benefit of the utility.