

1 Q. Re: PUB-NLH-1. Preamble: Hydro indicates that step 1(a) of the proposed
2 transaction is to remove the "RSP Surplus" from the "respective customer class
3 plan" and then allocate this amount to the various classes pursuant to an allocation
4 method prescribed by Orders-in-Council. The reallocation proposed by Hydro
5 removes approximately \$159 million from the IC RSP balance (per Appendix D) as
6 the IC portion of the "RSP Surplus". After moving this proposed amount from the IC
7 plan as per step 1(a), the IC plan is revised from a positive balance (surplus) of
8 approximately \$120 million, to a deficit of approximately \$39 million (per Table 1,
9 page 6 of the filing).

10 Question:

- 11 (a) How can Hydro define the IC "RSP Surplus" as being \$159 million when the
12 IC plan only has a surplus of \$120 million? Why does removal of the "RSP
13 Surplus" leave the IC plan in step 1(a) a deficit position such that the IC must
14 use a substantial portion of their \$49 million allocation simply to recover
15 from the major RSP deficit of \$39 million and leave these funds unavailable
16 for other uses such as a full 3 year transition to the new rates?
- 17 (b) In the event the Board concluded that only the positive balance in the IC
18 plan (\$120 million) was to be reallocated as the "RSP Surplus", and of this
19 amount \$49 million was to be credited to the IC RSP Surplus balance, please
20 confirm that this would change the amounts to be allocated to NP's RSP
21 Surplus. Please indicate Hydro's understanding of finalizing the RSP Surplus
22 transfer by September 16, 2013 when the opportunity for substantive
23 arguments in regards to how to calculate this balance will not occur until
24 September 23, 2013. Please indicate Hydro's ability to adjust (after
25 September 23, 2013) for conclusions of the Board as to the calculation of
26 the NP RSP Surplus, despite Hydro having purportedly "finalized" the NP RSP
27 Surplus amount as of September 16, 2013.

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- 1 A. (a) With regard to the RSP Surplus and the amount of \$49 million credited to
2 the IC RSP, Hydro refers to the following elements of the Orders in
3 Council:
- 4 (i) the Rate Stabilization Plan Surplus is defined as the accumulated Load
5 Variation component of the RSP for the period January 1, 2007 to August
6 31, 2013;
- 7 (ii) \$49 million of the Rate Stabilization Plan Surplus is to be credited to the
8 IC RSP with the balance transferred to the NP RSP;
- 9 (iii) the amount of \$49 million is the estimated RSP amount required to
10 phase-in Industrial rates based on Hydro's General Rate Application;
- 11 (iv) the amount of \$49 million will not be adjusted in the future; and
- 12 (v) the amount of \$49 million will be used to fund the shortfall in Hydro's
13 revenues as a result of the IC rate phase-in.
- 14
- 15 Based on (i) above, \$159 million of the RSP Surplus is derived from the IC
16 RSP and \$1 million from the NP RSP. The amount of \$49 million shown in
17 (iii) above is the estimated RSP amount required to phase-in Industrial rates
18 based on Hydro's General Rate Application. The allocation of the amount of
19 \$49 million, as shown in response to PUB-NLH-7, includes the August 31,
20 2013 RSP balance of \$39 million owing from the IC class.
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- 22 (b) As stated in (a) (i) above, the Rate Stabilization Plan Surplus is defined as the
23 accumulated Load Variation component of the RSP for the period January 1,
24 2007 to August 31, 2013. This results in \$159 million of the RSP Surplus
25 being derived from the IC RSP, not the \$120 million which is the estimated IC
26 RSP balance as at August 31, 2013, before adjustment for the load variation.

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1 Since the Rate Stabilization Plan Surplus is defined as the accumulated Load
2 Variation component of the RSP for the period January 1, 2007 to August 31,
3 2013 and as stated in (a) (ii) above, \$49 million of the Rate Stabilization Plan
4 Surplus is to be credited to the IC RSP with the balance transferred to the NP
5 RSP, these components are integral to the rates policy direction given in the
6 OC and should not be altered such that it results in a lower amount of RSP
7 Surplus than otherwise is due Newfoundland Power customers.

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9 It is Hydro's view that the matter of the RSP Surplus transfer should be
10 finalized when known, however, this matter is within the discretion of the
11 Board.