

1 Q. Re: V-NLH-1. The net effect of Hydro having a load variation provision in the RSP is
2 that Hydro is not exposed to financial risks related to changes in load. This provision
3 was first implemented in 1992 (V-NLH-2) and remains in place in the same
4 substantive form in terms of the effects on Hydro's net income due to load changes.

5 Question:

6 Please provide, for each year since 1992, the actual and/or approved Hydro net
7 income or return on equity including as proposed for the test years. Please indicate
8 if this change in the scale of shareholder returns to equity indicates a potential shift
9 in the purpose and necessity of a load variation provision being included at all in the
10 RSP.

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13 A. Hydro agrees that one effect of having a load variation provision in the RSP is that
14 Hydro is not exposed to energy-cost related financial risks related to changes in
15 load. Hydro is not, however, equally protected from financial risks related to
16 changes in demand. Hydro submits that the larger purpose of the load variation,
17 particularly at times when the price of fuel greatly exceeds the energy rate charged
18 to its customers, is to protect both customers and Hydro from fuel cost variations
19 related to load. For instance, the load variation for the IC class has been
20 approximately \$25 million in recent years. That load variation represents fuel
21 savings which could have been considered a windfall to Hydro, as Hydro's
22 overearnings provision would have permitted the company to retain savings where
23 the overearnings threshold was not exceeded. Hydro would be exposed to similar
24 risk if a significant increase in load occurred. Hydro does not, therefore consider
25 that the scale of shareholder returns to equity indicates a potential shift in the
26 purpose and necessity of a load variation provision being included at all in the RSP.

RSP Rules and Components to be charged to Industrial Customers

Page 2 of 2

- 1 It should be noted that the load variation was implemented in 1986. Please see the
- 2 attachment for Hydro's financial results since 1986. Please also refer to the
- 3 response to CA-NLH-17.

Newfoundland and Labrador Hydro**RSP-IC-NLH-27
Attachment 1****Net Income****1986 to 2012****\$ millions**

1986	36.5
1987	43.4
1988	41.2
1989	23.9
1990	21.7
1991	23
1992	24.7
1993	24.9
1994	17.1
1995	43.4
1996	28.9
1997	43.4
1998	70.1
1999	51.6
2000	34.8
2001	11.9
2002	9.7
2003	-2.6
2004	7.3
2005	3.3
2006	-6.9
2007	2.9
2008	9.1
2009	18
2010	6.5
2011	20.6
2012	17.0

† Prior to 2005, the net income is total Hydro, including non-regulated.