

1 Q. (Rates and Regulation Evidence page 4.20, lines 10 to 11)
2 Hydro notes that fuel and purchased power costs are “substantially outside its
3 control”. Are these costs substantially outside the control of consumers as well?
4 Which party has the greatest control over these costs – Hydro or consumers?

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7 A. Fuel costs are the single largest component of Hydro’s revenue requirement and
8 the level of cost is dependent upon world fuel prices, which are outside Hydro’s and
9 the consumers’ control. It is Hydro’s opinion that consumers have more control of
10 fuel and purchased power costs than Hydro as they determine the quantity of
11 energy consumed.

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13 Hydro believes it is reasonable to protect both customers and the utility from fuel
14 price variability through such a mechanism as the RSP since: (1) there can be a large
15 degree of unpredictability and volatility with fuel prices; and (2) due to variability in
16 weather and precipitation, there is little ability to control or to precisely predict fuel
17 consumption volumes over the short term.