

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?
5
6

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.
12

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.