

- 1 Q. Please provide an estimate of the division of the current deferred load variation
2 balance between customer classes under the following scenarios:
- 3 a. Divided based on energy ratios for 2015 forecast consumption.
- 4 b. Divided based on a first allocation to eliminate any negative balances in the RSP
5 as at December 31, 2014 (amounts owing from customers) and the remainder
6 allocated based on 2015 forecast energy ratios.
- 7 c. Divided based on the same ratio as the Government directed allocation of the
8 pre-Sept 2013 load variation balance.
- 9 d. Divided only to address RSP negative balances as of Dec 31, 2014, and the
10 remainder used for common benefit of Hydro's customers to address rate
11 impacts not yet addressed as part of the GRA base rates (e.g., 2014 revenue
12 deficiency, 2015 shortfalls for January and February, COM balances otherwise
13 proposed to be collected via rider, reliability hearing and capacity assistance
14 costs not yet proposed for recovery that are expected to be recovered through
15 future riders, etc.).
- 16
- 17
- 18 A. Please see TIR-IC-NLH-005 Attachment 1 for estimates of the division of the current
19 deferred load variation balance between customer classes under the following
20 scenarios:
- 21
- 22 a. Dividing the historic load variation balance as at December 31, 2014 of
23 \$35.5 million between classes using 2015 forecast consumption data
24 rather than historic consumption data as proposed in the Amended
25 Application and 2015 Interim Rates Application;
- 26 b. Dividing the historic load variation balance as at December 31, 2014 of
27 \$35.5 million between classes by first eliminating the \$6.8 million IC RSP

balance owing¹ and then using 2015 forecast consumption data to allocate the remaining balance;

c. Dividing the historic load variation balance as at December 31, 2014 of \$35.5 million between classes using the same Government directed allocations used for the pre-September 2013 segregated load variation;² and

d. Using the historic load variation balance as at December 31, 2014 of \$35.5 million to provide recovery of the \$6.8 million IC RSP balance owing from IC and providing no further disposition at this time.

In the 2015 Interim Rates Application, Hydro has proposed to allocate the year-end 2014 load variation between customer groups based on 12 months-to-date energy sales. This method will allocate the net cost effect of load variation on a basis consistent with the manner that fuel cost variation is currently allocated in the RSP. The proposed method is also consistent with the cost allocation effects of changes in load in a Test Year Cost of Service Study.

Hydro does not believe that any of the proposed scenarios presented in this request for information provide an allocation basis that is consistent with the principle of cost causality reflected in the current RSP approach for disposition of fuel cost variances.

¹ Newfoundland Power (NP) closing RSP balance for 2014 was credit of (\$39 million).

² Per Government Order-in-Council, the total August 31, 2013 segregated load balance accumulated since January 2007 of \$161 million was first applied to the IC August 31, 2013 closing RSP balance of \$38 million and an additional \$10.9 million was set up as separate balance to phase-in base IC rates (IC RSP Surplus). The remaining \$112 million was allocated to an NP RSP Surplus account.

Allocation of Deferred Load Variation by Customer Group (\$millions)

Line No.		A	B	C	D	E	
		As Filed ¹	Scenario a	Scenario b	Scenario c	Scenario d	Reference
1	December 31, 2014 Load Variation	(35.5)	(35.5)	(35.5)	(35.5)	(35.5)	December 2014 RSP Report, page 12
2	Adjusted for any RSP Customer Balance owing	-	-	6.8	-	6.8	December 2014 RSP Report, page 11
3	Adjusted Load Variation Balance	(35.5)	(35.5)	(28.7)	(35.5)	(28.7)	
4	Newfoundland Power before Rural allocation	(30.9)	(30.0)	(24.2)	(24.7)	-	
5	Island IC	(2.1)	(3.1)	(2.5)	(10.8)	-	
6	Rural	(2.5)	(2.3)	(1.9)	-	-	
7	Total	(35.5)	(35.5)	(28.7)	(35.5)	-	
	Rural allocation ²						
8	Newfoundland Power	(2.4)	(2.2)	(1.8)	-	-	
9	Labrador Interconnected	(0.1)	(0.1)	(0.1)	-	-	
		(2.5)	(2.3)	(1.9)	-	-	
10	Newfoundland Power including Rural allocation	(33.3)	(32.2)	(26.1)	-	-	Line 4 + Line 8
11	Island IC	(2.1)	(3.1)	(2.5)	-	-	Line 5
12	Labrador Interconnected	(0.1)	(0.1)	(0.1)	-	-	Line 9
13	Total	(35.5)	(35.5)	(28.7)	-	-	

¹ Allocated based on 12 months-to-date energy sales in accordance with RSP Rules approved by the Board.

² Balance initially allocated to Rural Customers is reallocated between NP and Labrador Int based on Test Year rural deficit allocation.