

1 Q. On the basis of the above two values (\$40.136 million per Hydro's application, and
2 \$39.405 million per an approach that only builds the new fuel price into base rates)
3 please explain in detail why this approach to interim rates is not a close proxy to
4 Hydro's application, without the need to address a broad range of contentious
5 items that have not yet been subjected to expert submissions or negotiation.

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8 A. This approach is not a close proxy to Hydro's application as it does not consider the
9 RSP implications. Hydro's RSP is intended to account for variations in actual
10 amounts when compared to a Test Year. The load, hydraulic production, power
11 purchases and fuel are inextricably linked. Adjusting only for fuel price would
12 result, for instance, in amounts owing to customers through the RSP for an
13 Industrial Customer load variation from the 2007 Test Year. Hydro would, in the
14 current scenario, owe money to customers as the IC load for the 2013 Test Year is
15 substantially less than the IC load when compared to the 2007 Test Year.