

1 Q. (June 19, 2014 Settlement Discussions - Second Interim Rates Application). At the
2 settlement meeting, issues were raised by the Parties concerning the phase-in of IC
3 rates, in particular, the fairness of the proposal given the ramping up of IC load
4 during 2014 (Vale and Praxair) and the reasonableness of drawing down the RSP
5 balance to fund the IC rate increase when a positive balance is coincidentally
6 building up in the load variation component of the RSP. Is Hydro re-considering its
7 proposal in light of these issues, and if not, why not?

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10 A. *Actual vs. Forecast Sales in Establishing RSP Adjustment Factor*

11 Current RSP rules require that the RSP adjustment factor for the disposition of
12 current balances be based upon historical sales. No evidence has been provided to
13 demonstrate the use of forecast sales to establish the RSP adjustment factor is
14 superior to the existing methodology. For example, forecast sales to Industrial
15 Customers ("IC") in the 2007 Test Year have been materially higher than actual sales
16 from 2007 to 2013. Therefore, Hydro is not proposing to change the RSP rules to
17 use forecast sales, rather than actual sales, in computing the RSP adjustment factor
18 for IC.

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20 *Load Variation Balance Allocation*

21 In its GRA, Hydro proposed to allocate the load variation component based upon a
22 rolling 12 months of actual energy sales consistent with the allocation of fuel costs
23 in the RSP. The Board has not yet approved this proposal. If all parties agree
24 (including the Board) that the segregated load variation balance be allocated in the
25 manner proposed by Hydro effective September 1, 2013, Hydro would modify the
26 proposed rate increase to be effective July 1, 2014 to reflect the adjusted IC RSP
27 current balance as of December 31, 2013.