

1 **Q. In the Prefiled Evidence of Larry Brockman on behalf of Newfoundland Power**
2 **(September 30, 2009), in Hydro's 2009 Application for approval of RSP components**
3 **of the rates to be charged to Industrial Customers, Mr. Brockman stated the**
4 **following at pages 24-25:**

5 *Hydro's recommended Cost of Service Approach for dealing with RSP Load*
6 *Variation Transfers results in rates better reflecting costs and reduces potential*
7 *rate volatility. The Cost of Service Approach is also consistent with the current*
8 *RSP allocation of fuel cost variances resulting from changes in fuel price and*
9 *hydraulic production.*

10 *The Cost of Service Approach is consistent with the proposed approach in the*
11 *IC Rate Design Review Report, agreed to by all parties, to deal with load*
12 *variations resulting from increases in production or the addition of a new*
13 *customer.*

14 *It is appropriate that the Board approve a revision to the RSP to require the use*
15 *of the Cost of Service Approach in dealing with Load Variation Transfers.*
16 *While it may be conceptually sound to apply the Cost of Service Approach to*
17 *Load Variation Transfers since January 1, 2007, the IC class rates did not*
18 *become interim until January 1, 2008.*

19 *The use of the Cost of Service Approach effective January 1, 2008 would result*
20 *in a better matching of revenues and costs from the time that the IC rates*
21 *became interim than that provided using the Assignment Approach. This*
22 *timeframe would also match the anticipated implementation of Hydro's*
23 *recommended change to be dealt with in the 2007 RSP Review provided for in*
24 *the 2006 GRA Settlement Agreement.*

25 *It is appropriate that the Cost of Service Approach be used to determine the*
26 *disposition of any balance in the RSP resulting from Load Variation Transfers*
27 *that have accumulated since January 1, 2008.*

28 **Please advise if Newfoundland Power takes any different position from that stated**
29 **by Mr. Brockman above, in relation to the RSP Load Variation balance which has**
30 **accumulated since September 1, 2013.**

31 A. Mr Brockman believes that the RSP Load Variation balance, which has accumulated
32 since September 1st, 2013 should be allocated to Hydro's customers in proportion to the
33 customer energy ratios in the same manner as fuel price variation. This is consistent with
34 Mr. Brockman's response to Request for Information PUB-NP-002 filed at Hydro's 2013
35 General Rate Application, and his prefiled evidence in Hydro's 2009 Application for
36 approval of RSP components of the rates to be charged to Industrial Customers.