

1 Q. Reference: Application, section 10

2 If the Board approves the \$29.4 million transfer from the Hydraulic Production

3 Component of the RSP, please confirm that the split between customer classes will

4 be done strictly on the basis of energy.

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7 A. If the Board approves the \$29.4 million transfer from the Hydraulic Production

8 Component of the RSP on a final basis for the purposes of funding the net income

9 shortfall, Hydro is proposing that the split between customer classes will be done

10 strictly on the basis of energy, consistent with current RSP rules.

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12 This is similar to the method approved by the Board in the case of Hydro's 2006

13 GRA in which \$20.7 million of the Hydraulic Production Variation RSP balance owing

14 to customers was split between customer classes to offset current costs owing from

15 customers. Offsetting amounts owing from customers against funds owing to

16 customers, in the manner proposed, tends to reduce rate volatility that would

17 otherwise occur and also results in base rates that better reflect current costs.