

1 Q. Preamble: The IC query how Hydro proposes to give effect to section 73(1) of the
2 PUA (rates to be the same for all service under substantially similar circumstances)
3 in respect of January 1, 2008 to August 31, 2013 interim rates paid by the Industrial
4 Customers. In particular, CBPP and NARL during this period paid a rate which
5 included a charge, "frozen" by interim rates starting from January 1, 2008, which
6 was only ever intended to effect recovery of the old "historical RSP" balance. This
7 additional charge on rates paid by CBPP and NARL persisted despite the historical
8 RSP balance being fully recovered by approximately October 2007.

9 Question:

10 (a) Hydro previously accepted, in 2007, that this charge should not be imposed
11 on Teck Resources' predecessor entity, due to Teck Resources having not
12 contributed to the historical RSP balance; how is this logically distinguishable
13 from the circumstances that obtained, vis-à-vis CBPP and NARL, once the
14 historical balance had been fully recovered in 2007, when considered in light
15 of the need to give effect to section 73(1) of the PUA.

16 (b) Assuming some portion of the present \$49 million IC RSP Surplus were to be
17 reserved to the benefit of CBPP and NARL to correct for section 73(1)
18 disparities since October 2007, what balance would need to be recorded to
19 the benefit of CBPP and NARL, based on the total difference between what
20 was paid by CBPP and NARL since (approximately) October 2007 to August
21 31, 2013 versus what CBPP and NARL would have paid under the interim
22 rate applicable to other Industrial Customers (including accrued interest)?
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25 A. Responses to the specific questions in this request for information are based upon
26 premises and hypothetical cases that are contrary to the directive received by the

Board. Hydro refers to the following elements of the Orders in Council regarding the amount of \$49 million RSP Surplus transferred to the IC RSP:

- (i) \$49 million of the Rate Stabilization Plan Surplus is to be credited to the IC RSP with the balance transferred to the NP RSP;
- (ii) the amount of \$49 million is the estimated RSP amount required to phase-in Industrial rates based on Hydro's General Rate Application;
- (iii) the amount of \$49 million will not be adjusted in the future; and
- (iv) the amount of \$49 million will be used to fund the shortfall in Hydro's revenues as a result of the IC rate phase-in.

Since the amount of \$49 million is integral to the rates policy direction given in the OC, its use should not be altered by reserving a portion to the benefit of CBPP and NARL. Therefore, it is Hydro's position that interim rates should be finalized at this time without further review. Refer also to the response to CA-NLH-20.