Q. Please provide an explanation of the results found in the response to PUB-NLH-21 and explain how and why they are different from those found in the response to PUB-NLH-17.

A. The responses to PUB-NLH-17 and PUB-NLH-21 should be considered in conjunction with the responses to CA-NLH-24 and V-NLH-5.

The existing RSP methodology allocates the net load variation to the class which incurred the load variation. That methodology results in class cost and/or savings allocations which do not bear a relationship to the results which would have occurred had a Cost of Service study been used for the allocations. Column F on the attachments to PUB-NLH-21 shows the load variation using the existing methodology. In cases where there was a decrease from the Test Year in the IC load, substantial fuel savings (net of revenue) are allocated to the IC class. The IC revenue to cost ratios from 2008-2012, shown in Attachment 2 to CA-NLH-24 are primarily a result of that allocation. The IC revenue to cost ratios for those years are:

2008	.85
2009	-.13
2010	-.42
2011	-.55
2012	.05

If costs were being allocated in accordance with cost of service methodology, a revenue to cost ratio close to 1.00 would be expected. One should expect results similar to those shown for 2008 to 2012, albeit on a smaller scale, if the IC load assumptions shown in the response to PUB-NLH-21 were to occur under the

existing load variation allocation methodology. The effect on NP is not as pronounced, as NP's end block energy rate is closer to the cost of fuel than the proposed average rate for the IC.

The results of the analysis provided in response to PUB-NLH-17 show the same results, except the scenarios all show load growth when compared to the Test Year. The IC would pay all of the net increase in fuel costs as a result of the load increases for that class. NP would see far less impact, as NP's end block energy rate is closer to the cost of fuel.

The attachments to V-NLH-5 illustrate that Hydro's proposed load variation allocation methodology of allocating the net load variation based upon energy ratios produces allocations which are far closer to Cost of Service results than the existing methodology.