

1 Q. Pages 6 and 16 of the Grant Thornton report which is included in the IC RSP  
2 application, discuss the 1986 method for allocating the fuel component of the load  
3 variation. Page 6, lines 24 - 28 reads:

4 *"According to the March 26, 1986 letter from Hydro, it was noted that the*  
5 *calculation of the plan balances for the retail and Industrial Customers would be*  
6 *prepared monthly. The letter indicated that Hydro would recalculate the 1986 cost*  
7 *of service by customer, replacing the 1986 costs with the actual costs as they*  
8 *became available, related to any changes which may occur in both firm and*  
9 *secondary loads, hydro production and/or fuel prices."*

10 Page 16, lines 29 - 33 relate the RSP changes that occurred following the 2003 GRA.  
11 The report states:

12 *"Load Variation Component*

13 *The change in this component of the RSP was to treat the fuel costs component of*  
14 *the load variation in the same manner as the revenue component. The revenue*  
15 *variation component is assigned to the customer class which caused the variation,*  
16 *however previously the fuel cost variation was treated as common costs and shared*  
17 *proportionately among the customer classes regardless of the class that caused the*  
18 *variation. It was allocated using customer energy ratios."*

19 How does the allocation method which Hydro is currently proposing differ from the  
20 method that was used prior to 2004?

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23 A. The allocation methods that Hydro was using effective January 1, 20014 and prior  
24 are contained in Hydro's 2006 RSP Report, page 13, Table 7 (Appendix B in Hydro's  
25 July 2013 Rate Stabilization Plan Evidence). Table 7 is shown below and has been  
26 updated with Hydro's proposed, effective September 1, 2013, RSP load variation  
27 treatment.

**RSP Rules and Components to be charged to Industrial Customers****Page 2 of 2**

<b>Change</b>	<b>Previous</b>	<b>Effective September 1, 2002 Order No. P.U. 7 (2002-2003)</b>	<b>Effective January 1, 2004 Order No. P.U. 40(2004)</b>	<b>Proposed Effective September 1, 2013</b>
Fuel Component of Load Variation	Cost of service allocation	Energy allocation ratios	100% where incurred	Energy allocation ratios
Revenue Component of Load Variation	100% where incurred	100% where incurred	100% where incurred	Energy allocation ratios
Recovery Period	Perpetual or rolling 3-year	Discrete 2-year write-off	Discrete 1-year write-off	Discrete 1-year write-off