

1 Q. In Board Order No. P.U. 40(2003), the Board noted that the Participating Parties
2 had proposed changes to the RSP that would cause the fuel element of the load
3 variation component to be assigned to the customer class which caused the
4 variation, as had already been the treatment of the revenue element of the load
5 variation component. The Board reviewed the evidence regarding this matter and
6 approved the amendment.

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8 Since load is an essential component of the Cost of Service of an electrical utility,
9 would it be reasonable to assume that any significant variation in load would ideally
10 require an immediate full evaluation of the forecast Cost of Service of the utility? If
11 not, why not?

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14 A. As outlined in Appendix A of the Grant Thornton report “Historical Review of the
15 Rate Stabilization Plan of Newfoundland and Labrador Hydro” which is included as
16 Appendix C in Hydro’s July 2013 Rate Stabilization Plan Evidence, load became a
17 significant component of the RSP commencing in 2006. Prior to this, Hydraulic and
18 Fuel Cost components of the RSP experienced the largest variances going back to
19 1986.

20 The RSP change, cited above in the introduction to this request for information,
21 “that would cause the fuel element of the load variation component to be assigned
22 to the customer class which caused the variation”, and approved by Board Order
23 No. P.U. 40(2003), did not contemplate such significant changes in Island industrial
24 customer class load as occurred over the 2006 to 2009 period, mainly resulting
25 from reductions in the pulp and paper industry load. In response to the question,
26 “would it be reasonable to assume that any significant variation in load would

1 ideally require an immediate full evaluation of the forecast Cost of Service of the
2 utility”, it is Hydro’s opinion that, ideally, the RSP methodology would have been
3 able to handle these load variations, as variations of an even greater magnitude
4 have historically occurred in Hydraulic and Fuel Cost components of the RSP.

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6 In its 2006 General Rate Application, Hydro applied to the Board to have the load
7 variation changed to one based on cost of service treatment. Hydro has again, in
8 the current July 2013 Rate Stabilization Plan filing, applied to have a cost of service
9 based approach applied to the load variation component of the RSP. The basis for
10 this recommendation is outlined in the 2006 RSP Report filed with the Board in
11 Hydro’s 2006 GRA and included as Appendix B in the current filing.