

1 Q. Exhibit 1, page 6, footnote 14 of Hydro’s compliance application. Confirm that the
2 use of funds from the Hydraulic Production Variation RSP balance to offset amounts
3 owed by customers was agreed to by the parties in the settlement agreement in the
4 2006 general rate application and provide the amounts that would be associated
5 with specifically assigned charge for each industrial customer. Provide an
6 explanation as to how this is relevant to the consideration of the method proposed
7 by Hydro for the collection of revenue deficiencies in its compliance application.
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10 A. It is not confirmed. The savings from the Hydraulic Production Variation RSP
11 balance in the 2006 General Rate Application settlement agreement were utilized
12 to reduce the amount of the Historical Plan RSP balance to be recovered from
13 Island Industrial customers in the future.¹ Accordingly, the Island Industrial
14 Customer portion of the total December 31, 2006 RSP Hydraulic variation credit
15 balance was transferred to the Historic RSP balance to be applied in determining
16 Island Industrial Customer rate changes to become effective January 1, 2008.
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18 While the 2006 Settlement Agreement did not involve the use of the RSP credit
19 balance to offset amounts owing related to specifically assigned charges, Hydro
20 considers the 2006 Settlement Agreement relevant in that the credit balance was
21 applied in aggregate to the benefit of all Island Industrial Customers to pay the RSP
22 Historical Plan balance. The relative portion of the RSP Historical Plan balance
23 attributable to the usage of each customer was not considered in assessing the
24 fairness of the approach.

¹ 2006 GRA Revenue Requirement Settlement Agreement, November 23, 2006, page 7.