

1 Q. Principles of sound public utility ratemaking as set out by Bonbright state that
2 there are a number of attributes that must be balanced in the ratemaking
3 process. Among these are:
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- 5 i) Rates should reflect all of the present and future private and social
6 costs and benefits occasioned by the service's provision;
- 7 ii) Specific rates should be fair in the apportionment of the total costs of
8 service among the different ratepayers so as to avoid arbitrariness and
9 capriciousness;
- 10 iii) Rates should strive to avoid undue discrimination so as to be, if
11 possible, subsidy free with no inter-customer burdens; and
- 12 iv) Rates should reflect related, practical attributes of simplicity, certainty,
13 convenience of payment, economy of collection, understandability,
14 public acceptability, and feasibility of application.
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16 How does the proposal of NLH to collect the historical balance of the RSP
17 and the applicability of the proposed changes to customers, those excluded
18 and those who have not been excluded, current and future, industrial and
19 non-industrial, attempt to balance these attributes?
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22 A. Hydro's application that the rates charged to Aur Resources Inc. exclude an
23 amount attributable to the Historical Plan relies primarily upon the principle of
24 cost causation, in that all costs being recovered in the Industrial Customer
25 RSP Historic Plan are costs incurred by the Industrial Customer class prior to
26 2004. The principles listed above, are consistent with this application in
27 that:

- 1 i) The Historical Plan recovery includes costs and benefits related to
2 the past provision of service. Prominent among the benefits is the
3 long-term recovery period of large costs incurred prior to 2004,
4 which would have been more current under rules in effect at the
5 time the costs were actually incurred.
- 6 ii) Fairness in rates may be argued as not requiring a customer to
7 pay for costs which they did not, in part or in whole, incur.
- 8 iii) It may be argued that requiring Aur Resources Inc. to pay the RSP
9 Historical Plan recovery rate would result in a new customer
10 subsidizing customers who were on the system when costs were
11 incurred.
- 12 iv) A second RSP rate that removes the easily identifiable portion of
13 the rate applicable to the Historic Plan would still reflect the
14 practical attributes of simplicity, certainty, convenience of
15 payment, economy of collection, understandability, public
16 acceptability, and feasibility of application.