

1 Q. If the IC rates had been implemented as proposed in the IC Rate Review, would
 2 there now be any balance in the load variation component of the RSP (assuming
 3 implementation on January 1, 2008)? If so, how would such balances be dealt with?
 4 For example, would surpluses in the load variation component owing to significant
 5 changes in IC demand be handled through an over-earnings mechanism? If handled
 6 through an over-earnings mechanism, how would the funds be allocated to ICs and
 7 Hydro's other customers?

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 10 A. If there had been a two-block rate structure for Industrial Customers as illustrated
 11 in the IC Rate Review, there would have been a load variation. Please see table
 12 below for the 2008 load variation.
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Total Load Variation (\$)

	First Block	Second Block	Total
January	(879,094)	20,794	(858,300)
February	(649,456)	14,577	(634,879)
March	(646,343)	178	(646,166)
April	(462,413)	152	(462,261)
May	(442,364)	197	(442,167)
June	(510,874)	16,833	(494,041)
July	(400,474)	16,845	(383,629)
August	(454,281)	17,816	(436,465)
September	(513,207)	19,086	(494,121)
October	(290,323)	12,118	(278,205)
November	(23,839)	7,625	(16,214)
December	(264,934)	(61,966)	(326,900)
	<u>(5,537,602)</u>	<u>64,254</u>	<u>(5,473,348)</u>

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16 If the load variation remained in the RSP, under existing rules, the above variation
 17 would have been credited to the Industrial Customers. If the load variation were to
 18 fall to Hydro's bottom line, rather than remain in the RSP, Hydro's reported net
 19 income would have been higher than reported by the above \$5.5 million. Hydro's

1 2008 actual rate of return on rate base (Annual Return, Return 12) was 6.49%, and
2 the above would have increased that return by approximately .37%, for a revised
3 return on rate base of 6.86%. As the rate does not exceed the higher end of
4 Hydro's approved range of return, there would be no over-earnings.

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6 Had there been over-earnings in excess of the approved range, the allocation of the
7 over-earnings would have been the subject of a Board ruling. Hydro has not yet
8 been in a position of over-earning, and an allocation method has therefore not
9 been established. One may assume that over-earnings would in fact be shared
10 among the customers, including both Newfoundland Power as Hydro's largest
11 customer, and the Industrial Customers.