

1 Q. **Re: Proposed RSP Changes**

2 On page 4 and 5 of Mr. Greneman's evidence, he states:

3 "In response to PUB-NLH-24 in this proceeding, Hydro indicated that although it has
4 not developed any specific proposals, in light of the change in markets and fuel
5 prices the RSP may need to be substantially modified or replaced and that the
6 Board may consider ordering development of policies and procedures that reflect:

7 • NP being invoiced monthly by Hydro for costs incurred related to fuel and, in
8 turn, NP dealing directly with their customers on matters of retail price signal
9 and customer billing and payment options;

10 • Hydro dealing directly with its IC and giving consideration to such matters as
11 price signal, and payment options, as well as having RSP amounts become
12 accounts receivable or accounts payable from/to each IC each month rather
13 than Industrial class RSP balances which are not tied directly to each customer;
14 and

15 • Hydro developing a proposal regarding hydraulic stabilization."

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17 Is there a problem with the current RSP hydraulic stabilization approach? If so,
18 please describe the problem. If not, why is Hydro suggesting development of a
19 revised approach?

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22 A. Hydro considers that all components of the RSP should be reviewed together due to
23 their interrelationship. The hydraulic variation methodology may require revisions,
24 in light of other potential changes to RSP components and /or the implementation
25 of International Financial Reporting Standards on January 1, 2011.