

1 Q. Did Hydro consider whether it would be appropriate for the RSP to operate with no
2 adjustment to the calculation of the No. 6 fuel rider with any resulting balance
3 being used to recover the Deferred Supply Costs or for future rate mitigation post
4 Muskrat Falls?

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7 A. In general, the purpose of the Rate Stabilization Plan (RSP) fuel rider is to adjust
8 customer rates annually to reflect the forecast changes in No. 6 fuel costs for the
9 next 12 months (in this Application, the 12 month period is July 1, 2018 to June 30,
10 2019). The current RSP fuel rider calculation includes the change in the forecast No.
11 6 fuel price but assumes the number of barrels of fuel to be consumed at Holyrood
12 does not change from the previously-approved test year.

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14 Hydro's proposal to base the calculation of the RSP fuel rider on an adjustment to
15 the Test Year barrels of fuel is consistent with the purpose of the RSP fuel rider, and
16 has been approved in previous circumstances when the application of existing RSP
17 rules would result in a RSP fuel rider that would be anticipated to materially over-
18 collect the forecast No. 6 fuel costs during the period the fuel rider would be in
19 effect.¹ Therefore, Hydro believes the calculation of the RSP fuel rider with no
20 adjustment to the RSP rules would be inconsistent with the purpose of the RSP fuel
21 rider as originally intended.

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23 As indicated in its responses to PUB-NLH-156 and PUB-NLH-157, Hydro's proposal
24 to modify the RSP rules for the purpose of calculating the RSP fuel rider does not

¹ In Board Order No. P.U. 11(2008) the Board approved modified RSP rules to permit a revised number of barrels of No. 6 fuel to be used in establishing the fuel rider so the rider would reasonably reflect the forecast fuel cost variation that would have resulted from the updated fuel price.

1 impact the forecast balances in the Off-Island Purchases Deferral Account. The
2 deferral of savings related to off-island purchases for the purpose of future rate
3 mitigation is a matter which is being considered by the Board in Hydro's 2017 GRA.
4 As the 2017 GRA will not be concluded until later in 2018, Hydro felt it was
5 premature to propose a higher RSP rate increase than necessary in its 2018 Utility
6 Customer Interim Rates Application for the purpose of creating a Newfoundland
7 Power RSP credit balance to be used for future customer rate mitigation.