

1 **Q. On page 27, lines 4 to 7 of the Pre-filed Evidence of Messrs. Perry and Henderson, it**
2 **is stated that NP cannot exceed the maximum allowed rate of return on rate base**
3 **since all excess earnings must be credited to the Excess Earnings Account and dealt**
4 **with as directed by the Board. However, NP is not guaranteed a minimum rate of**
5 **return on rate base. If the range of the allowed rate of return on rate base were**
6 **expanded, and if NP were granted a minimum rate of return (similar to what might**
7 **be incorporated in a performance-based regulatory mechanism), would a demand-**
8 **energy rate be acceptable to NP?**
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10 **A. Expansion of Newfoundland Power's allowed range of rate of return on rate base and**
11 **introduction of a minimum rate of return on rate base for Newfoundland Power would**
12 **not make a demand-energy wholesale rate acceptable to Newfoundland Power.**
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14 Newfoundland Power's customers have experienced a high degree of rate stability and
15 predictability under the existing energy-only wholesale rate structure. It is
16 Newfoundland Power's position that moving to a demand-energy wholesale rate
17 structure would undermine the principles of rate stability and predictability, and would
18 not cause any change in the pricing signal provided to Newfoundland Power's retail
19 customers.
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21 Expansion of Newfoundland Power's allowed range of rate of return on rate base,
22 introduction of a minimum rate of return on rate base for Newfoundland Power, and the
23 pros and cons of performance-based regulation (PBR) are not matters for consideration in
24 this proceeding.