

Perry and Henderson

(Re: Page 20, lines 17-18)

Q. It is stated that, “The lack of an historical relationship between Newfoundland Power’s energy requirements and its system peak also highlights another element of risk associated with the Sample Rate.” Given the lack of relationship between energy and peak, please comment on the appropriateness of a separate charge for each of these products.

A. The lack of an historical relationship between Newfoundland Power’s energy requirements and its system peak indicates that separate charges for each of the demand and energy components increases potential earnings volatility for Newfoundland Power and negatively impacts rate stability and predictability for Newfoundland Power’s customers.

The energy-only rate structure results in less earnings volatility and therefore provides increased rate stability and predictability for Newfoundland Power’s customers. The energy-only rate structure currently in place also allows Hydro to recover its cost of service in a fair and reasonable manner.

An energy-only wholesale rate, rather than separate charges for demand and energy, is appropriate.