

1     Q.     The Cost of Service evidence at page 16, lines 21 to 22, states:

2

3            "There are two issues, volatility due to weather; and revenue instability to  
4            Hydro caused by moving revenue out of its RSP."

5

6            Also, might another issue be Newfoundland Power's expense volatility due to  
7            actual demand being different from forecast demand?

8

9

10    A.     Actual demand can be different than forecast demand due to factors that  
11            include: weather, accuracy of the demand normalization adjustment, load  
12            growth or decline, conservation and accuracy of Newfoundland Power's load  
13            forecast. However, to the extent these deviations are fairly regular and small  
14            in magnitude, it is uncertain as to whether they can be characterized as  
15            being volatile. In such instances any expense gains or losses will tend to  
16            zero-out over time. Newfoundland Power may also be able to mitigate some  
17            of its expense volatility through the rates of its customers.