

1 Q. Please identify from Hydro's perspective, all conditions and requirements that
2 would need to be satisfied in order for Hydro to immediately implement the
3 recommended demand price signal described in the Stone & Webster
4 evidence. (Reference Section 2, page 3).

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7 A. The reference in Mr. Banfield's evidence refers to Hydro's due diligence with
8 respect to the rate options and recommended rate treatment set out in the
9 Review of Rate Design for Newfoundland Power prepared by Stone &
10 Webster.

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12 This includes the resolution of issues such as:

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- 14 1. Degree of risk to be assumed by Hydro;
15 2. Appropriate weather normalization methodology;
16 3. Treatment of Newfoundland Power Generation; and
17 4. Appropriate costing and billing determinants.

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19 The types of analyses that should be performed include:

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- 21 1. The effects of variations in NP's hydraulic generation and native load,
22 individually and together;
23 2. The effects of varying levels of demand and energy rates; and
24 3. Quantification of the intrinsic error in the weather normalization
25 formula.

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27 Hydro views Stone & Webster's recommended approach to a demand and
28 energy rate as being viable. Using a rate structure along the lines of the

1 illustrative rate described in Section 4 of Stone & Webster's report, some of
2 the analyses that need to be done are reduced. For example, the illustrative
3 rate is generation-independent. Also, Hydro's risk is limited to two percent of
4 demand revenue.