

1 Q. **Volume 1 (1<sup>st</sup> Revision), Chapter 5: Rates and Regulations**

2 Is Hydro aware of any regulatory precedent for charging a set monthly amount to  
3 recover a historical revenue deficiency? (Volume I  
4 (1st Revision), Chapter 5: Rates and Regulations, Page 5.20, Lines 4-6)

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7 A. Hydro is aware that the use of rate riders to recover historical revenue deficiency is  
8 a common regulatory practice. However, Hydro has not conducted a jurisdictional  
9 review of the rate design approach for the recovery of revenue deficiencies in  
10 wholesale rate design.

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12 The use of a fixed monthly charge with a clearly defined start and end date for  
13 recovery of revenue deficiency from Newfoundland Power provides transparency in  
14 the purpose of the monthly charge, avoids distortion of the marginal rate signal,  
15 and ensures that Newfoundland Power pays only the exact amount of the revenue  
16 deficiency amount (no more and no less). A volumetric charge based on actual  
17 usage would create uncertainty in the timing of payment, would be subject to  
18 volume risk for both parties, and would potentially require a correction in the event  
19 of over or under recovery at the end of the proposed recovery period.

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21 If a fixed monthly charge is not preferred by Newfoundland Power for recovery of  
22 the forecast revenue deficiency, Hydro is open to proposing recovery of the  
23 revenue deficiency though an energy rider applied to the first block energy charge  
24 for the term of the proposed recovery period.