

1 Q. **Reference: Volume II, Exhibit 9: Cost of Service Study / Utility and Industrial**
2 **Rate Design Report**
3 Page 14 of Exhibit 9: *Cost of Service Study/Utility and Industrial Rate Design Report*
4 indicates one of the rate design principles was that “cash flows of both utilities
5 should not be unduly impacted”. Given Newfoundland Power’s revenues are
6 recovered primarily through energy charges, did Hydro review the potential impact
7 on Newfoundland Power’s cash flow of the proposed wholesale rate? If yes, please
8 provide the analysis. (Volume II, Exhibit 9, Page 10)

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11 A. Hydro acknowledges that NP’s revenues are recovered primarily through energy
12 charges, but considers the price signals passed to its largest customer to be
13 important. Although Hydro did not perform any analysis with respect to the
14 potential impact on NP's cash flow under the proposed wholesale rate, Hydro is
15 willing to explore options during the GRA process.