

1 Q. Please provide details of the operation of the regulatory mechanism to recover the
2 balances in the proposed Power Purchases Cost Variance Account and the proposed
3 Diesel Unit Cost Variance Deferral Account allocated to Newfoundland Power's
4 customers. In the response please provide an illustrative example of the proposed
5 July 1 rate adjustment.

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8 A. Hydro will apply to have the amount included as an adjustment to NP's energy rate
9 in a manner similar to how the RSP is applied. For instance:

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11	Assumed balance applicable to NP	\$(1,000,000)
12	NP's 12 months to date March sales used for	
13	calculating the RSP rate (kWh)	<u>5,433,230,398</u>
14	Estimated Rate (mills per kWh)	<u><u>(0.18)</u></u>