

1    Q.    Further to Request for Information NP-NLH-18, does Hydro agree that the approval  
2    of the proposed interim rate could result in Newfoundland Power incurring demand  
3    management costs during the 2013/2014 winter season that, when expressed on a  
4    per kW basis, would be in excess of the final demand charge approved by the  
5    Board?

6    Given this scenario, please explain how the implementation of the proposed  
7    demand charge on an interim basis is consistent with (i) customer understandability  
8    and (ii) the provision of electrical service on a least cost basis.

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11    A.    Hydro agrees that NP could take action to reduce its demand costs during the  
12    winter of 2013/14 which could be in excess of the final demand charges. NP,  
13    however, should be considering the risks associated with these demand  
14    management initiatives and take appropriate mitigating action.

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16    It is noteworthy that for some time now, Hydro has recommended that the NP  
17    demand rate be based on cost. Hydro has also indicated that it is anticipated that  
18    the NP rate structure will be discussed during settlement negotiations. As part of  
19    the normal GRA process there are issues that are resolved by the parties or ruled on  
20    by the Board as the proceeding moves along and concludes.

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22    It is expected that NP will make prudent decisions on behalf of its customers and  
23    shareholders with regard to incurring demand management or other costs during  
24    the intervening period until rates are finalized. If interim rates are approved by the  
25    Board, it is anticipated that any excess revenues will be repaid and additionally, any  
26    rate restructuring can be retrospectively reflected to the date of interim rate  
27    implementation.