

1 Q. Further to response to Request for Information IR-NP-NLH-19, please identify what  
2 "mitigating action" is available to Newfoundland Power.

3  
4  
5 A. Hydro understands there is uncertainty to Newfoundland Power as a result of  
6 demand costs which are substantially higher than those used to establish its current  
7 rates and its current demand management practices. However, Hydro has applied  
8 for rates that are consistent with the practice of demand rates reflecting the  
9 embedded cost of demand.

10  
11 To mitigate this risk during a transition period to higher demand costs, NP has the  
12 option to apply to the Board for relief in consideration of the exceptional  
13 circumstances during a period when their demand rate from Hydro is established  
14 on an interim basis and is changing substantially. NP has an established practice of  
15 having Board approved deferral mechanisms put in place to reduce risk. A deferral  
16 account could be established for the cost differential between NP's demand  
17 management action and its final purchased power demand rate. It could also  
18 choose to take demand management action that is considerably less costly than the  
19 interim rate demand cost from Hydro. NP would have to consider in its decisions to  
20 expend money for demand reduction based on the risk and benefit of taking certain  
21 action given its understanding of the embedded rate cost structure used by Hydro  
22 in establishing rates for NP and ICs, past decisions by the Board with respect to the  
23 rates established for NP and the likelihood that the final rates will depart  
24 significantly from previous practice.