

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

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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.

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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.