

1 **Q. 2013-2014 General Rate Application, Company Evidence**

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3 **Pg. 3-26 to 3-27 - What weight should be given to the regulatory mechanisms that**
4 **allow Newfoundland Power to recover its power supply costs in assessing the risk to**
5 **Newfoundland Power of a single source supply? Does the existence of these**
6 **regulatory mechanisms reduce or eliminate this business risk? Please explain your**
7 **response.**

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9 A. The fact that the Board has approved regulatory mechanisms that permit Newfoundland
10 Power to recover its current supply costs does not address the longer-term risks
11 associated with single source supply. These risks are described in the response to
12 Request for Information PUB-NP-003, lines 12 *et. seq.*

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14 Newfoundland Power's current supply cost mechanisms do not operate to *eliminate* the
15 risk associated with current recovery of supply costs. The demand management incentive
16 effectively places approximately \$1.1 million in Newfoundland Power's annual supply
17 cost recovery at risk. This alone translates into approximately 25% of the 36 basis point
18 range of return on rate base (± 18 basis points) approved by the Board.¹

¹ See Volume 2, Exhibits and Supporting Materials, Tab 7, Supply Cost Mechanisms, page 7.