

1 **Q. (response to CA-NP 20) What are the disadvantages of the regulatory mechanisms**
2 **currently practiced by NP?**
3

4 A. In this Application, Newfoundland Power has proposed changes to regulatory
5 mechanisms, the justification for which is outlined in the Company's evidence.¹
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7 The Board has observed that "...The real challenge for the Board, in keeping with its
8 legislative mandate, is to balance oftentimes competing objectives within the regulatory
9 environment to ensure a set of sound and reasoned decisions serving the interests of both
10 consumer and utility alike".²
11

12 The regulatory mechanisms which are listed in the response to CA-NP-20 represent a
13 reasoned *balance* of generally accepted regulatory principles as determined by the Board
14 at the time the mechanisms were created or last considered by the Board.
15

16 In this policy context, Newfoundland Power does not view the regulatory mechanisms, or
17 the changes to regulatory mechanisms proposed in the Application, in terms of
18 advantages or disadvantages. Instead, Newfoundland Power views existing regulatory
19 mechanisms, and the modifications proposed in this Application, as striking a *continuing*
20 reasonable regulatory balance in current circumstances.

¹ See, for example, pp.39 *et.seq.* concerning the Demand Management Incentive; pp.59, *et.seq.* concerning the Automatic Adjustment Formula; and pp.91-93 and pp.122-124 concerning modifications to the Rate Stabilization Account to provide for recovery of prudently incurred energy supply costs.

² See Order No. P.U. 19 (2003), p. 16-17.