NP-CA-85

Reference: Page 14, Lines 5-6

Q. In the absence of the Energy Supply Cost Recovery clause, how does Mr. Todd propose that Newfoundland Power would recover energy supply cost shortfalls that result from customer growth?

A. In the 2008 test year and any other year in which there is a GRA the company will not experience a shortfall in its recovery of energy supply costs as a result of customer growth unless it uses a forecast growth rate of 0.0% for rate setting purposes. It can avoid this risk by using a realistic forecast of growth. NP has not used a forecast of 0.0% customer growth for rate setting purposes for the 2008 test year.

As explained in the response to NP-CA-84, shortfalls and surpluses result from variances from forecast in total power purchases. The impact of actual customer growth in excess of forecast growth can be mitigated by aggressively pursuing load management programs so that use per customer declines to a level below forecast. With the adoption of effective load management programs the overall impact of variances from forecast in customer growth and use per customer can be biased downward (i.e., reduce actual total power purchases relative to the forecast) so that NP can expect to benefit from the incentive that would exist in the absence of the proposed Energy Supply Cost Recovery clause.

See the response to NP-CA-86 for comments on the recovery of incremental energy supply cost associated with customer growth for the years after the 2008 test year if there is no GRA.