

- 1 **Q. At page 15 of Ms. McShane's testimony, she describes NP's proposed Rate**  
2 **Stabilization Clause and offers her opinion on what it is designed to do. In Ms.**  
3 **McShane's judgment, would the implementation of the proposed Rate Stabilization**  
4 **Clause increase or decrease NP's operating risk relative to the regulatory**  
5 **mechanisms currently in place? Please explain answer.**  
6
- 7 A. The existing mechanism, assuming that Newfoundland Power would continue to operate  
8 on a multi-year GRA cycle, would raise the risk that Newfoundland Power would under-  
9 earn its allowed return on equity.  
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- 11 The proposed mechanism would decrease the business risks relative to the level to which  
12 Newfoundland Power would be exposed were the existing mechanism to remain in place.  
13 However, the risk, under the proposed mechanism, would be approximately the same as  
14 existed at the time of Newfoundland Power's last GRA. Please see page 15, lines 402-  
15 410 of Ms. McShane's testimony.