

1 **(Reference Wholesale Rate Flow-Through Report)**
2

3 **Q. Will variances recovered in deferral accounts always exist if tail-block energy**
4 **charges in NP's retail rates are not adjusted to equal the tail-block energy charge in**
5 **the wholesale rate?**
6

7 A. Newfoundland Power's Energy Supply Cost Variance account and its Demand
8 Management Incentive Account will be necessary as long as the wholesale rate charged
9 by Hydro to the Company continues to include a two-block energy rate and a demand
10 rate.
11

12 As part of this Application, Newfoundland Power has not analyzed how more complex
13 rate structures, such as the scenario described in this Request for Information, could be
14 implemented to discontinue the use of its longstanding supply cost deferral accounts.
15

16 Further, Newfoundland Power's existing rate design is currently under review in its
17 Retail Rate Design Review. Any changes in customer rate design would be based on that
18 comprehensive review, which would include a fulsome analysis of the customer benefits
19 and risks of the change. See part b) to the response to Request for Information CA-NP-
20 005 for further information.
21

22 As provided in Table 3 in the *Wholesale Rate Flow-Through Report*, the revised
23 wholesale rate will result in lower variances in the Company's supply cost deferral
24 accounts. In turn, this will result in less volatility in the annual July 1st rate adjustments,
25 providing rate stability for customers.