

1 Q. Mr. Hamilton includes market efficiency as one of Hydro's desired rate
2 design criteria (page 2, lines 12 to 15 of his Prefiled Testimony). Show how
3 Hydro's proposed rates lead to greater market efficiency.

4

5 A. Page 3, lines 4 – 14 of Mr. Hamilton's evidence outlines several constraints
6 that impact on the desired rate design criteria, such as the use of lifeline
7 blocks on market efficiency. The five-year plan for rural rate design, to be
8 filed at Hydro's next hearing, will address items such as the pricing of energy
9 beyond the lifeline blocks. The Island Interconnected rates track
10 Newfoundland Power's rates and therefore do not attempt to reflect Hydro's
11 costs. The proposed rate restructuring for Labrador Interconnected System
12 customers will move their rates toward more market efficient rates.
13 Newfoundland Power and Industrial Customer rates are the unit costs
14 derived in the COS Study.