

1 Q. At page 4 of Mr. Bowman's evidence it is stated, "The current design with
2 only a flat per kWh charge sends incorrect price signals to Newfoundland Power
3 and is not reflective of the costs it imposes on the system." If the rate to
4 Newfoundland Power is directly derived from the cost of providing service as
5 reflected in Hydro's cost of service study, then why does Mr. Bowman feel it is
6 not reflective of the cost it imposes on the system?

7

8 ANSWER:

9 Schedule 1.3.1, page 1 of 5 of Mr. Brickhill's Prefiled Evidence shows that Hydro
10 incurs demand, energy and customer costs to supply Newfoundland Power, yet
11 the wholesale power rate includes only an energy rate. In addition, there is no
12 consideration of marginal costs in the rate design, and there is no time variation in
13 the rate even though Hydro indicates that the ratio of winter production costs to
14 summer production costs is 1.5 (CA-19). Therefore, the wholesale rate can be
15 better designed to reflect the costs that Newfoundland Power imposes on the
16 system.