

1 Q. At page 9 of Mr. Bowman's evidence when referring to the rate design criteria of  
2 stability, it is stated "I believe stability is of lesser importance than the other  
3 criteria." On what basis does Mr. Bowman draw such a conclusion?  
4

5 ANSWER:

6 In *Principles of Public Utility Rates* by James C. Bonbright, Albert L. Danielson  
7 and David R. Kamerschen, it is stated "A second level of priority needs to be  
8 given to such criteria as stability and predictability of rates and revenues" (page  
9 473). Mr. Bowman notes that Mr. Connors, Newfoundland Power's Director,  
10 Rates and Costs Analysis during the 1996 rate application states in his Prefiled  
11 Testimony that Bonbright suggests that the three primary rate design criteria are  
12 revenue requirement, cost based rates and market efficiency (page 3, lines 14 to  
13 16).  
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15 Without knowing the cost of rate stability, it is difficult to determine its relative  
16 importance. Mr. Bowman points out that Hydro has submitted no evidence  
17 indicating the cost of rate stability to consumers. While there is little doubt that  
18 customers desire rate stability, without knowing the cost, they are unable to make  
19 informed decisions concerning the level of rate stability desired.