

1 Q. At page 11, Mr. Bowman referred to the 1996 Rate Hearing at which
2 Newfoundland Power provided evidence indicating marginal costs are used to
3 design rates to some degree. Therefore, would the implementation of a
4 demand/energy wholesale rate to Newfoundland Power (based on marginal costs
5 but recovering embedded costs) necessarily result in any change in the rates
6 charged to the customers of Newfoundland Power?
7

8 ANSWER:

9 A demand/energy wholesale rate would not necessarily result in any change in the
10 rates charged to Newfoundland Power. However, it would better reflect cost
11 causation, and as a result, better meet Hydro's rate design criteria related to "cost
12 based rates" and fairness (page 2 of Hamilton Prefiled Evidence, lines 17 to 19).
13 In addition, it would provide Newfoundland Power with opportunities to reduce
14 its power purchase costs.