

**NP 300**

At page 21, Dr. Wilson discusses the lack of a demand rate to Newfoundland Power and states, “It would be far better, and a more reasonable regulatory procedure, to calibrate Hydro’s costs and wholesale rate structure in this proceeding so that retail rate design in the next NP case can reflect the appropriate cost-based charges that NP will actually realize as its retail sales volume changes.” Since a large share of Newfoundland Power’s customers are served at non-demand rates themselves, why would having Newfoundland Power pay a demand charge link the revenues that Newfoundland Power receives from these customers more closely to the charges Newfoundland Power sees as the load changes?

**RESPONSE:**

Wholesale rates that separately reflect demand and energy costs as well as seasonal and time-of-use cost differences would enhance NP’s ability to improve retail cost allocation as well as rate design. While it may continue to be cost prohibitive to implement time-of-use or three part rates for small customers, class cost allocations may be improved, and there will be greater flexibility to experiment with and improve retail rate design over time if the underlying costs are more accurately differentiated.