

1 **Q. On page 17, lines 21 to 22 of Mr. Brockman's Pre-filed Evidence, he states that**  
2 **there is no evidence that NP would or should change its retail rate design in**  
3 **response to the Sample Rate from Hydro. Wouldn't an ordinary businessperson**  
4 **change retail rates in response to a change in the primary component of his/her**  
5 **wholesale cost structure?**

6  
7 A. Existing retail rates to Newfoundland Power's customers already recover the cost of  
8 service. Modifying the wholesale rate structure does not change the cost of service  
9 (except for providing increased volatility as described in the *Prefiled Evidence: Perry*  
10 *and Henderson*). Therefore, Newfoundland Power's existing rate designs, which send  
11 appropriate price signals to Newfoundland Power's customers, should not be changed  
12 simply because of a change in the wholesale rate structure.

13  
14 Newfoundland Power's retail rate designs attempt to charge its customers a fair  
15 allocation of the embedded costs from the cost of service study, as well as reflect the  
16 short-run marginal costs of fuel burned at Holyrood in its tail block energy rates.