

1 **Q. On page 28, line 24 of the Pre-filed Evidence of Messrs. Perry and Henderson, it is**
2 **stated that “Designing retail rates based on the purchased power rate is**
3 **inappropriate”. NP goes on to say that its retail rates are already designed to reflect**
4 **the Island Interconnected System costs. Please clarify if NP supports**
5 **implementation of a wholesale power rate that reflects Island Interconnected costs,**
6 **and if not, please explain why.**

7
8 **A.** Newfoundland Power supports the implementation of a wholesale rate that reflects Island
9 Interconnected costs.

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11 Consistent with Mr. Brockman’s Prefiled Evidence, good rate design must deal with a
12 number of objectives such as revenue requirement, efficiency, revenue stability, fairness,
13 understandability and practicality. The rate design presented in the Sample Rate is
14 designed to recover the Island Interconnected System costs. However, it has several
15 shortcomings when viewed from an overall rate design perspective.