

Q. NLH-140 CA (Re: Page 9, lines 20-22)

Mr. Bowman recommends "...that the Board direct Hydro to undertake a marginal cost study, and evaluate and make recommendations on how its rates can be redesigned to better incorporate marginal cost principles and promote market efficiency".

Is Mr. Bowman recommending a long-run marginal cost study applicable only to generation, or to Hydro's entire cost of service, including transmission, distribution and customer?

A. **Mr. Bowman is recommending a marginal cost study for the entire cost of service including generation, transmission, distribution and customer components. Newfoundland Power completed a study of these marginal cost components and documented the results in a June 1997 report entitled *A Study of Innovative Approaches to Rate Design Based on Marginal Costs and Time-of-Use Design Principles*. A summary of marginal costs is provided on page 4, Table 1.**