

**Larry B. Brockman**

**(Re: Page 6, lines 1-8)**

**Q. Other than discerning differences in usage characteristics between two customers in a class, please discuss any other reasons there may have to be a demand and energy rate?**

A. Demand/energy rates can have many reasons for existing, including: attempts to signal the costs of demand and energy separately to customers; the desire to control demand growth through rates; and, historical precedent. Some customers also prefer demand/energy rates because if they can control their demand they can use additional energy at a lower cost than an energy-only rate might allow.

Newfoundland Power recognizes that there are valid reasons for serving end-use customers using demand/energy rates. Newfoundland Power charges all General Service customers with demands of 10 kW or greater using rate structures that include demand charges. Newfoundland Power's rate design focuses on total system costs including both Hydro's costs and Newfoundland Power's costs. A demand/energy wholesale rate structure is not required for the customers of Newfoundland Power to receive appropriate price signals.