

1    Q.    The sample rate provided in a “Review of Rate Design for Newfoundland  
2           Power” results in months where all of Newfoundland Power’s energy  
3           consumption is charged at \$0.0344 / kWh. Is it an efficient pricing signal  
4           that, in the non-winter months ,the marginal price of energy is set significantly  
5           below the marginal cost of producing energy from the Holyrood generating  
6           station?

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9    A.    While it is true that in the non-winter months, the price of energy  
10          (\$0.0344/kWh) is significantly below the marginal cost of producing energy  
11          from Holyrood (\$0.0470), it is at a very modest level below the average  
12          energy price expressed as a year-round flat rate (\$0.0355). In light of this,  
13          the winter price signal in the sample energy rate is seen as providing a  
14          stronger and more relevant signal in terms of conserving oil and having the  
15          potential to reduce system peak than the very slight reduction of energy price  
16          in non-winter months would have to encourage additional consumption.