

1 Q. Please explain why the proposed Industrial energy charge is substantially
2 less than the tail block rate shown in the sample rate for Newfoundland
3 Power (Cost of Service evidence, Exhibit ROG-2).

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6 A. The proposed industrial energy charge and the energy charges in the sample
7 rate are each cost based. That is, the underlying energy cost components,
8 on a per kWh basis, are comparable. However, the NP energy rate includes
9 recovery of the rural deficit and customer related costs whereas the IC does
10 not. This raises the average energy rate for NP in relation to the IC rate.
11 Finally, when the second block of the sample rate to NP is raised to the
12 marginal cost of energy production at Holyrood, the difference with respect to
13 the IC energy rate is increased further.