

1 Q. Provide a calculation that demonstrates how fuel rider adjustments result in  
2 rates reflecting marginal costs. (Cost of Service Evidence, page 14, lines 15  
3 to 20)

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6 A. The fuel rider increases or decreases the RSP adjustment based on forecast  
7 fuel prices, and as such, reflects a marginal cost signal. To demonstrate:

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9 Newfoundland Power first block energy rates:

	<u>Excluding Fuel Rider</u>	<u>Including Fuel Rider</u>
Base Rate	3.171	3.171
RSP adjustment	<u>0.678</u>	<u>1.616</u>
Total	<u>3.849</u>	<u>4.787</u>

10

11 The total first block energy rate is 24% higher than it would otherwise be,  
12 reflecting the marginal cost signal of higher fuel prices.