

1 **Q. What was the “time-bound” action plan for implementation of the rate design**
2 **recommendations agreed to in the Settlement Agreement?**

3
4 **A. 1.0 Introduction**

5 The Settlement Agreement provided a timeline for the Retail Rate Review process. The
6 Retail Rate Review has proceeded substantially in accordance with the timeline outlined
7 in the Settlement Agreement.

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9 The framework for the Retail Rate Review, as agreed to in the Settlement Agreement, is
10 provided as Attachment A to this response.

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12 **2.0 Progress of the Retail Rate Review**

13 A scope document outlining the purpose, scope and analysis criteria for a comprehensive
14 Rate Design Report was filed with the Board on February 12th, 2008.

15
16 A Rate Design Report study plan was filed with the Board on May 14th, 2008.

17
18 The Rate Design Report was filed with the Board on January 28th, 2009. The Rate
19 Design Report reflected a comprehensive review of existing rates and an evaluation of
20 alternative rates.

21
22 A Customer Feedback Report was filed with the Board on June 19, 2009. It summarizes
23 certain information obtained from customers on alternative rate designs presented in the Rate
24 Design Report.

25
26 To date, each step in the Retail Rate Review process has been undertaken by
27 Newfoundland Power with reasonable consultation of interested stakeholders.

28
29 **3.0 Remaining Steps**

30 Prior to rate design changes, the Rate Design Report was to be assessed at a Technical
31 Conference involving all interested stakeholders, as recommended in the Settlement
32 Agreement. The objective of the Technical Conference in 2009, to be hosted by the
33 Board, is to examine whether new rate design policies should be used in the design of
34 Newfoundland Power’s rate structures for its Domestic and General Service customers.

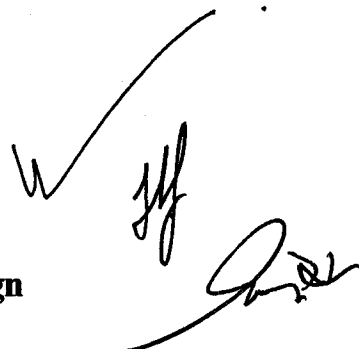
35
36 The Settlement Agreement contemplates each stakeholder may provide a response to the
37 Rate Design Report. Those responses may include expert reports and any additional data
38 and/or analysis the stakeholder considers relevant to the issues. Stakeholders will also be
39 provided an opportunity to obtain clarification or additional information concerning the
40 Rate Design Report through a formal request for information process prior to the
41 Technical Conference.

42
43 The Company continues to discuss with stakeholders the process and timelines for
44 proceeding with the next stage of the Retail Rate Review process.

Framework for the Retail Rate Review

Attachment A

Framework for a Review of Newfoundland Power's Rate Design

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1.0 Introduction

Retail electricity prices in the Province of Newfoundland and Labrador have increased significantly in recent years owing in large part to the high price of fuel at Holyrood Generating Station. This has led to increased regulatory focus on rate design and, in particular, the economic efficiency of rate design.

In addition, increased focus on energy conservation, and foreseeable issues that may affect the future energy supply to the interconnected power system on the island of Newfoundland, further support the need for a review of Newfoundland Power's rate designs.

The Applicant, Newfoundland Power ("NP"), and the Intervenor, the Consumer Advocate ("CA") (collectively, "Parties") have agreed to a process for examining issues and options related to Newfoundland Power's rate design for its Domestic and General Service (the "Rate Review").

2.0 Purpose

The purpose of the Rate Review is to:

1. Review existing retail rate designs;
2. Review potential alternative rate designs;
3. Consider whether the rate designs should be mandatory or optional; and
4. Develop a detailed time-bound action plan for implementation of the rate design recommendations.

To evaluate rate designs, consideration will be given to the attributes of sound rate structures as presented in James Bonbright's *Principles of Public Utility Rates*. Also, specific consideration will be given as to how the rate designs should reflect current and future marginal costs and support the goals and recommendations of the Conservation and Demand Management Potential Study being conducted by NP and Newfoundland and Labrador Hydro ("Hydro") (the "Conservation Study") and the Provincial Energy Plan.

The Rate Review will consider the potential impacts on customers and on NP of implementing alternative or optional rate designs.

3.0 The Process

The objectives of the Rate Review process include:

1. To facilitate the exchange of information necessary to conduct a review of NP's rate designs;

2. To provide a mechanism for the participation of other interested parties in the process;
3. Where appropriate, to recommend new rate designs for implementation by NP at its next General Rate Application.

The Parties agree that the process should be as described below.

2007

1. Newfoundland Power will complete a detailed scope of work for the Rate Review. The detailed scope will be circulated to the CA and Hydro for comments.
2. The Conservation Study is expected to be concluded prior to the end of 2007.
3. NP will circulate a copy of the Conservation Study to the CA and the Board of Commissioners of Public Utilities ("Board").
4. The Parties will review the Province's new Energy Plan.

2008

5. NP will undertake a study of its rate designs and issue a Rate Design Report.
6. NP will distribute a copy of the Rate Design Report to the CA, the Board and Hydro, and any other interested third party.
7. Responding Parties, including the CA, will review the Rate Design Report.
8. Each Responding Party may provide a response to the Rate Design Report, which response may include expert reports, and any additional data and/or analysis the Responding Party considers relevant to the issues.

2009

9. The Parties, together with any interested third parties, including Hydro, should participate in a Technical Conference.
10. The Technical Conference should be hosted by the Board.
11. The Technical Conference should take place in mid 2009, or in any event at a time sufficient for the Board to issue any directive as described below.

12. The chief objective of the Technical Conference is to examine whether new rate design policies should be used in the design of NP's rate structures for its Domestic and General Service customers.
13. The Parties may ask the Board to convene a Rate Design Hearing.
14. The Board may order the adoption of new rate design policies to be used by NP when designing its rates.
15. The objective of the process as described is to resolve the issue of the appropriate rate designs for NP's Domestic and General Service customers for inclusion in NP's next GRA.

2010

16. Newfoundland Power should incorporate any new rate designs in NP's next General Rate Application.