

1 **Q. On page 19, Mr. Brockman states: “Given the current uncertainty in marginal**  
2 **costs, a more moderate increase in the Newfoundland Power demand charge may be**  
3 **appropriate.” What demand rate does Mr. Brockman recommend to apply to**  
4 **Newfoundland Power? Please provide justification for the recommendation from**  
5 **both an embedded and a marginal cost perspective.**  
6

7 A. Hydro’s proposed demand charge to Newfoundland Power is based on its current  
8 estimate of marginal capacity cost.<sup>1</sup> The overall rate (demand and energy) is based on  
9 the embedded costs allocated to Newfoundland Power.  
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11 An across-the-board percentage increase in all rate components (billing demand charge  
12 and energy charges) would moderate the increase in the demand charge, while ensuring  
13 the recovery of all allocated embedded costs.

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<sup>1</sup> See Hydro’s Amended GRA, Volume I, Section 4.5.3: Proposed Rates, page 4.24.