

1 Q. [J.W. Wilson Evidence, page 24]

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3 Dr. Wilson states:

4
5 *"...there is little evidence that marginal cost capacity rates have as significant*
6 *an impact on efficient capacity demand as marginal energy rates do on efficient*
7 *energy demand."*

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9 Given this observation, is it Dr. Wilson's opinion that Hydro's focus on
10 Newfoundland Power's demand price signal is misplaced at this time?

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13 A. Yes. However, this is a matter of relative importance. Dr. Wilson stated that
14 *"while a case can be made for a demand rate that reflects the incremental cost of*
15 *capacity expansion, especially at the present time when Hydro must deal with*
16 *increased capacity costs as a result of growing demand, there is little evidence*
17 *that marginal cost capacity rates have as significant an impact on efficient*
18 *capacity demand as marginal energy rates do on efficient energy demand."*
19 (Report at 24.)

1 Q. [J.W. Wilson Evidence, pages 21, 22 and 29]

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3 On page 29, Dr. Wilson states:

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5 *"... if the load variation costs are to be covered by the RSP we agree that*
6 *Hydro's proposed allocation of these costs based on customer energy ratios is*
7 *an equitable allocation method."*

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9 On page 21, Dr. Wilson describes the distorting effect that the difference
10 between the Industrial Customer and Newfoundland Power tail block energy
11 rates has on load variation adjustments to the RSP.

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13 If the combination of the proposed allocation of the portion of load variation
14 costs covered by the RSP and the portion of load variation costs covered by
15 tail block energy rates were to result in Newfoundland Power paying the
16 incremental cost of its load variation and also paying a majority of the
17 incremental costs of the Industrial Customer class load variation, would Dr.
18 Wilson agree that such result is inequitable?

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21 A. Yes.