

1 **Q. In Section 6.1: Industrial Rate Design, page 42, lines 25-29, the consultants state**
2 **that "...it is not an advisable time to adopt the type of rate design proposed in the**
3 **2008 Final Report (or other alternative rate designs based on marginal costs, two**
4 **block rates, or the incremental value of Holyrood fuel). This is because attempting**
5 **to adopt the rate design concepts from 2008 would (a) exacerbate rate pressures**
6 **on customers at a time when they are already experiencing a high degree of rate**
7 **impacts, and (b) be obsolete by the time of the Labrador infeed " What tail block**
8 **energy rate do you contend would provide a better price signal than the marginal**
9 **cost of energy? Please explain your answer in detail.**

10 **A. Please see PUB-IC-006 and PUB-IC-012 in regard to price signals and their role over**
11 **short-term versus long-term horizons.**

12 In setting appropriate rates for the period to be covered by the GRA (late 2015 to
13 approximately 2018), other rate design criteria are of greater importance, including
14 moving rates in an appropriate direction for the expected long-term cost trends.

15 Adopting revised rate designs (whether to address marginal price signals or other rate
16 design priorities) are most effective when they will form a new pricing regime with
17 principles that will remain in place for a long duration, sufficient for customers to respond
18 with both operating and capital decisions.

19 It would be appropriate to review industrial tail block rate options, as well as any
20 restructuring of the NP rate, after the Labrador infeed is in service.