

1 Q. Under Hydro's interim application, the proposed increase in the wholesale demand
2 charge from \$48 per kW per year to \$109.44 per kW per year is to apply to billing
3 demand of Newfoundland Power established during the period *December 2013 to*
4 *March 2014.*

5 Given the uncertainty in marginal capacity costs currently on the system and the
6 willingness of Hydro to explore options to an embedded cost-based demand charge
7 during the General Rate Application process (as indicated in the responses to
8 Requests for Information CA-NLH -177 and NP-NLH-118 filed in Hydro's General
9 Rate Application), please explain the rationale for proposing to implement the
10 increased demand charge for the 2013/2014 winter season.

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13 A. Hydro's rationale for proposing to implement, on an interim basis, the rates
14 included in this Application is to have the opportunity to earn, in 2014, a return on
15 rate base which is closer to that directed by the Government. The rates proposed
16 by Hydro in this Application are interim in nature; customers will receive
17 adjustments should final rates require that.

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19 The demand rate proposed by Hydro is based upon its embedded costs, which
20 Hydro believes is both fair and reasonable. Please also see Hydro's response to IR-
21 NP-NLH-016.